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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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DALE WATERS, WESTERN HEART INSTITUTE, P.C., RETIREMENT PLAN, GEOFFREY TRACHTENBERG, SAM BORNO AND PAUL MADAR, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS SIMILARLY SITUATED,

Plaintiffs,

vs.

GENERAL ELECTRIC COMPANY, JEFFREY R. IMMELT, and KEITH S. SHERIN,

Defendants.

--X

CASE No.: 08-CIV-8484 (RJS)

SECOND AMENDED CLASS ACTION COMPLAINT

<u>JURY TRIAL DEMANDED</u>

Lead Plaintiffs Geoffrey Trachtenberg, Sam Borno and Paul Madar, individually and on behalf of all other persons similarly situated, by their undersigned attorneys, for their complaint against Defendants, allege the following based upon personal knowledge as to themselves and their own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things, a review of certain of

Defendants' public documents, conference calls and announcements made by defendants and filings with the United States Securities and Exchange Commission ("SEC"), wire and press releases published by and regarding General Electric Company ("GE", or the "Company"), securities analysts' reports and advisories about the Company, and certain information readily obtainable on the Internet. Plaintiffs believe that substantial evidentiary support will be found for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of all persons other than Defendants who purchased the common stock and/or call options of GE during the period of time from September 25, 2008 through and including October 1, 2008 (the "Class Period"), seeking to recover damages caused by Defendants' violations of federal securities laws and pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. In 2008, the financial markets underwent unprecedented turmoil. After having rescued Bear Stearns, Fannie Mae and Freddie Mac, the federal government arranged for the takeover of American International Group, injecting $85 billion to avert insolvency and prevent financial panic from spreading throughout the world.

3. The markets were in near chaos as a result of investor speculation concerning the insolvency of many of the world's major financial institutions.

4. To help stabilize the financial markets, the U.S. Government announced that it would inject $700 billion into the banking system, along with a host of other extraordinary measures to steady the markets.

5. By September 25, 2008, GE's stock price had already dropped 35% since April 11, 2008, when GE announced it would not meet earnings expectations for the first quarter as a result of the collapse of Bear Stearns.

6. As investor uncertainty spread, credit markets seized up. Many banks were unwilling to lend. Many banks and other financial institutions faced a liquidity crisis. Others feared one.

7. Investors became wary of GE's large financial services operation and its dependence on selling short-term commercial paper to fund operations. GE tried hard to calm investors' fears.

8. On September 25, 2008, Jeffrey Immelt, GE's CEO, and Keith Sherin, CFO, held a conference call to reassure investors that GE was financially sound and would easily weather the financial storm. During the call, Defendants stated that GE had completed its long term funding plan for 2008 and did not need to raise any more debt or equity financing for its operations for the remainder of fiscal year 2008.[1]

9. When an analyst asked Mr. Immelt point blank whether GE intended to sell any stock to bolster its liquidity, as Goldman Sachs had just done in a $5 billion deal with Berkshire Hathaway, Immelt responded with absolute certainty that no additional equity financing was necessary or planned in 2008.

10. Four business days later, on October 1st, GE announced it was selling $12.0 billion of new common stock to investors and $3.0 billion of redeemable preferred stock to Berkshire Hathaway – at a steep discount.[2]

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1 GE's fiscal year 2008 is the period that began on January 1, 2008 and ended on December 31, 2008.

2 The total size of the equity offerings was $17 billion including the overallotment option.

11. The next morning, when investors discovered that GE had priced the $12 billion of new common stock at 10% below the current market price, GE's stock price dropped immediately 10% to $22.25 per share, the same level as the offering price of the new common stock being issued.

12. Defendants' blatant misrepresentations caused investors that purchased GE securities during the Class Period to suffer an immediate and substantial loss on their investment.

JURISDICTION AND VENUE

13. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

14. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

15. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b), as a substantial part of the conduct complained of herein occurred in this District. GE, a New York Corporation, maintains substantial offices and operations in this District and its common stock is listed on the New York Stock Exchange ("NYSE"), which is headquartered in this District.

16. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of a national securities exchange.

PARTIES

17. Lead Plaintiffs Paul Madar, Sam Borno and Geoffrey Trachtenberg each purchased shares of GE common stock at inflated prices during the Class Period and were damaged thereby. Their PSLRA certifications have been previously filed with the Court and are incorporated by reference herein. The Court appointed Lead Plaintiffs on January 5, 2009.

18. Defendant GE is a New York Company. GE's address is 1 River Road, Schenectady, NY 12345. GE also maintains executive offices at 3135 Easton Turnpike, Fairfield, CT 06828. GE has over three hundred thousand employees in over 100 countries. GE operates as a technology, media, and financial services company worldwide. It operates through four business segments: GE Capital, Energy Infrastructure, Technology Infrastructure, and NBC Universal. For fiscal 2007, GE had total revenue of $173 billion in 2007 and earnings of $22 billion. GE Capital accounted for 38.4% of GE's consolidated revenue and 47% of its earnings in 2007. Because, historically, its GE Capital subsidiary has generated such a high proportion of GE's total revenue and profit, investors and analysts have generally considered GE to be one of the world's largest financial institutions.

19. Defendant Jeffrey I. Immelt ("Immelt") is, and at all relevant times, was GE's Chairman and CEO. Immelt has been CEO since 2000 when he was appointed to succeed Jack Welch.

20. Defendant Keith R. Sherin ("Sherin") is, and at all relevant times, was GE's Vice Chairman and CFO. GE appointed Sherin as CFO in 1998.

21. Immelt and Sherin are collectively referred to hereinafter as the "Individual Defendants."

22. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's stock financing plans via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof, and via reports and other information provided to them.

23. As officers, directors and controlling persons of a publicly-held company whose securities were and are registered with the SEC pursuant to the Exchange Act, and that were traded on the NYSE and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate accurate and truthful information promptly with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

BACKGROUND OF THE FALSE STATEMENTS
2008 IS A YEAR TO BE REMEMBERED ON WALL STREET

24. Following Countrywide Financial Corp's near-failure and acquisition by Bank of America and Bear Stearns' financial collapse and its bail out by JP Morgan-Chase and the U.S. Government in the Spring of 2008, the Summer of 2008 provided several additional hard-to-imagine bank failures.

25. In July 2008, market speculators voiced concern that Fannie Mae and Freddie Mac, the two federally funded mortgage banks that own or guarantee roughly half of the nation's residential mortgages, nearly $6 trillion worth, were on the brink of insolvency.

26. On July 12, 2008, the Federal Reserve and U.S. Treasury Department announced a series of measures to bolster confidence in, and to support the liquidity position of, Fannie Mae and Freddie Mac. The Federal Reserve opened its discount window to Fannie and Freddie loaning funds at the primary credit rate, collateralized by U .S. government and federal agency securities. Treasury Secretary Henry Paulson made clear that Fannie Mae and Freddie Mac were too important to the U.S. economy to fail. The SEC also took the extraordinary step of limiting short sales of Fannie Mae and Freddie Mac securities. Nonetheless, financial markets remained jittery.

27. As the Autumn of 2008 began, the bank failures on Wall Street accelerated. The spotlight was on Lehman Brothers as it desperately explored options to avoid bankruptcy.

28. The federal government's prior actions to shore-up Fannie Mae and Freddie Mac's liquidity proved insufficient. On September 7, 2008, the federal government seized control of Fannie Mae and Freddie Mac to avert their financial collapse and the consequent immolation of the broader residential mortgage securities market.

29. In early September 2008, there was a crisis of confidence in American International Group ("AIG"), one of the world's largest financial institutions, as credit default swaps on its debt began to widen. From September 9th through September 11th, AIG's stock price suffered its worst three day drop since Black Monday in October 1987. Investors were nervous that AIG was over-extended in the credit derivatives market. The market's view of AIG's viability became a self-fulfilling prophesy as its borrowing costs rose and its ability to fund its operations deteriorated

rapidly. This led to a further sell-off of AIG stock. Standard & Poor's threatened to downgrade AIG's debt and AIG's problems snowballed.

30. September 2008 was also a harsh month for Washington Mutual, Inc., a once high-flying commercial and real estate lender. On September 12, 2008, it was reported that JP Morgan Chase was in advanced talks to buy Washington Mutual which was believed to be insolvent as a result of non-performing subprime real estate loans. The Office of Thrift Supervision eventually closed Washington Mutual and the FDIC held a bidding process that resulted in JPMorgan Chase acquiring Washington Mutual's banking operations.

31. Also on September 12th, media reported that General Motors and Chrysler were actively lobbying to receive $25 billion in emergency government loans to avoid imminent bankruptcy.

32. GE's stock price fell 5.0% on September 12 as nervous investors sold off financial stocks.

33. That same week, Merrill Lynch was frantically seeking an acquirer to help shore up its deteriorating balance sheet. Shares of Merrill Lynch dropped more than 35% as the market questioned Merrill Lynch's viability during the week of September 8th to 12th. On September 14th, Bank of America agreed to buy Merrill Lynch, the world's largest stock brokerage firm, for about $44 billion.

34. On September 14th, "because of extraordinary market conditions," GE issued a public statement its earnings guidance and reassuring investors of its liquidity and that it had no need to raise external capital. GE posted a September 14th letter to investors on its website stating:

> An update on our funding position, which remains strong:

• We have raised $70 billion of $80 billion full-year plan; our 3Q funding plan is complete.
• We diligently match fund our assets and liabilities across our portfolio to reduce interest rate and currency risk.
• GE Capital's commercial paper programs, which total $90 – $95 billion, remain robust with 15 programs in 11 currencies at an average funding cost of Libor less 25 basis points year-to-date in our largest market, the US.
• GE Capital cash bond spreads are trading significantly tighter than most major financial institutions. Our cash bond spreads are significantly tighter than our credit default swap spreads.
• **As stated in previous investor meetings, we are not raising external capital and have no need to.** (Emphasis added)
• We continue to have an unwavering commitment to maintaining our Triple A.

35. On September 15, 2008, unable to find a buyer or raise capital, Lehman Brothers filed a petition for Chapter 11 bankruptcy; the largest bankruptcy in U.S. history.

36. Amidst the fallout from the Lehman bankruptcy, GE' shares dropped a staggering 8.0% on September 15th because of the general hysteria surrounding financial stocks; GE derives about 60% of its profit from its GE Capital finance unit. This stock drop followed GE's September 14th announcement that GE didn't need to raise any external capital and affirmed its 2008 profit forecast.

37. Wachovia Corp., the fourth largest U.S. bank, saw its shares decline 21%, the most in 28 years, on investors' fears that the bank was under-capitalized.

38. On September 15th the New York Times ran a story by Joe Nocera that summed up the general fear that was taking hold in financial markets:

> How can this be happening? How can it even be possible that we wake up on a Monday morning to discover that Lehman Brothers, a firm founded in 1850, a firm that has survived the Great Depression and every market trauma before and since, is suddenly bankrupt? That Merrill Lynch, the "Thundering Herd," is sold to Bank of America the same weekend?
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> * * *
>
> Last week, it was Fannie Mae and Freddie Mac that needed a government bailout. This week, it looks as if American International Group and

> Washington Mutual will be on the hot seat. We have actually reached the point where there are now only two independent investment banks left: Goldman Sachs and Morgan Stanley. It boggles the mind.
>
> * * *
>
> It is unlikely that the worst is over. The U.S. market dropped more than 500 points Monday, and the government is now trying to keep AIG from going the way of Lehman Brothers, even asking Goldman Sachs and JPMorgan to make some $75 billion in loans available to the struggling insurance giant. And then there's Washington Mutual. And then... well, who knows where it will end?

39. Mr. Nocera's story was prescient. On September 17, 2008, the U.S. Government took control of AIG, injecting $85 billion in return for an 80% stake. The federal take over was justified as necessary to avert AIG's financial collapse fearing the domino effect of AIG's insolvency would lead to wide-spread financial panic in the international financial markets and bankruptcy for many of the world's largest financial institutions. "There's a systemic risk if AIG isn't saved," one market commentator was quoted as saying.

40. The collapse of AIG immediately put tremendous downward pressure on financial stocks. On September 17, GE's stock price closed down 6.7% from the prior day's closing price.

41. On September 18, Reuters reported that "the cost of insuring the debt of GE Capital, the finance arm of General Electric, has widened to unprecedented levels indicating heightened liquidity fears, but these fears appear 'irrational,' an analyst at Deutsche Bank said. With $150 billion of short-term debt, including $98 billion of commercial paper programs at the end of the second quarter, the market has the right to have concerns about ongoing access to the capital markets and attendant cost of capital, analyst Nigel Coe wrote in a note to clients. … . Credit default swaps insuring GE Capital's debt jumped 110 basis points to 500 basis points on Wednesday, according to Markit Intraday, amid continuing concerns over the health of financial companies. 'This market only

cares about liquidity and so CDS spreads are a real concern,' Coe said. 'For this reason, we would be surprised if GE did not take proactive steps towards de-levering GE Capital balance sheet... .'"

42. Also on September 18th, Morgan Stanley and Goldman Sachs each announced they had applied to become federally chartered bank holding companies. The move was intended to ensure "access to permanent liquidity and funding," according to Goldman Sachs CEO Lloyd Blankfein. On Monday, September 21st, the Federal Reserve Board approved the applications of Morgan Stanley and Goldman Sachs to become bank holding companies– ending the era of the once proud independent brokerage firms on Wall Street.

43. The share prices of Goldman and Morgan had been hammered having fallen for 8 straight days.

44. Market commentator Jim Cramer told CNBC that he believed Goldman Sachs had two choices, become a regulated commercial bank or go out of business.

45. On September 18th, Lehman announced its U.S. brokerage unit would be liquidated by the SIPC.

46. Also on September 18, Bloomberg News reported that "Wachovia Corp. had preliminary acquisition talks with Morgan Stanley as fears mount that another major bank may collapse."

47. On September 19, 2008, the U.S. Treasury announced plans for a sweeping $700 billion bailout of the banking and finance industries. President Bush was quoted as saying that his first instinct was to let the free markets work. But then he heard from experts who said the problem was so significant and so deep that massive federal help was needed. "America's economy is facing

unprecedented challenges, and we are responding with unprecedented action," Mr Bush told reporters in the White House rose garden.

48. On September 19 the International Herald Tribune reported that Washington Mutual, unable to raise much needed capital, had put itself up for sale, reversing its statement from the prior week that it would be able to survive on its own.

49. Also on September 19th, the SEC instituted an emergency ban on short selling the securities of 799 financial companies. GE was included on this list of “protected” financial stocks. The short selling ban was an extraordinary measure that had never before been implemented, thus demonstrating the severe downward pressure on securities prices and risk of widespread financial panic that the SEC and other agencies feared would lead to a total collapse of financial markets.

50. GE’s share price closed down 8.6% from its opening price on September 19, as a result of the mounting risks facing financial institutions such as GE.

51. That same day, the U.S. Treasury Department announced the establishment of a temporary guaranty program for the U.S. money market mutual fund industry. For the next year, the U.S. Treasury promised to insure the holdings of any publicly offered money market mutual fund – both retail and institutional – that pays a fee to participate in the program. Maintaining confidence in the money market fund industry is critical to protecting the integrity and stability of the global financial system. The Treasury explained that “Concerns about the net asset value of money market funds falling below $1 have exacerbated global financial market turmoil and caused severe liquidity strains in world markets. In turn, these pressures have caused a spike in some short term interest and funding rates, and significantly heightened volatility in exchange markets. Absent the provision of such financing, there is a substantial risk of further heightened global instability. … . This action

should enhance market confidence and alleviate investors' concerns about the ability for money market mutual funds to absorb a loss.”

52. On September 21st Morgan Stanley, the second-largest independent securities firm, said announced it entered into a letter of intent to sell as much as 20 percent of the company to Tokyo-based Mitsubishi UFJ Financial Group Inc. for $8.4 billion.

53. On September 21st, Bloomberg News reported that the share price of Wachovia plunged 21% on news that the chance for Wachovia’s merger with Morgan Stanley was dead.

54. Also on September 22nd Bloomberg News reported that Washington Mutual fell 22% percent on concerns a $700 billion government-sponsored bank bailout plan won't erase enough of its soured mortgages to lure bidders.

55. On September 23rd, Bloomberg News announced that “Goldman Sachs Group Inc., seeking to quell investor concerns that have lifted the firm's borrowing costs and hurt its stock, is raising at $10 billion by selling stakes to Berkshire Hathaway Inc. and public investors.”

56. Also on September 23rd the Los Angeles Times ran a story stating in part:

> This wasn't the reaction to his $700-billion rescue plan that Treasury Secretary Henry M. Paulson was hoping for.
>
> Stock prices and the dollar plunged Monday -- and oil and other commodities soared -- on fears that the proposed bailout of the financial system could require a massive increase in government borrowing, push up interest rates and unleash new inflationary pressures.
>
> The Dow Jones industrial average tumbled almost 375 points And -- worst of all -- what if it doesn't work?
>
> "People worry that, if this doesn't do it, there is no Plan C if Plan B doesn't work," said Ed Yardeni, president of Yardeni Research in Great Neck, N.Y. "Once you've essentially nationalized the capital markets, what more can you do?"

57. The Financial Times reported on September 23rd that Washington Mutual "was under mounting pressure from regulators yesterday to reach a deal with prospective buyers that would put the beleaguered US bank in stronger hands. The Office of Thrift Supervision was pushing for a speedy solution, said people familiar with the talks. If no outright buyer emerges in the coming days, the regulator could push to broker a deal that would split WaMu between several banks."

58. As investors continued to flee financial stocks, on September 23, GE's stock price closed down 4.6% from the prior day's trading.

59. On September 24th Bloomberg reported:

> Morgan Stanley and Wachovia Corp. shares declined and the cost to protect their debt from default soared amid concern that the financial companies need to raise capital as the turmoil in credit markets escalates. Morgan Stanley dropped 11 percent today in New York trading, and Wachovia fell 6.4 percent as money-market rates reached the highest since January and U.S. Treasury Secretary Henry Paulson faced resistance in Congress to his $700 billion bank rescue plan.
>
> Concern also emerged that banks will have a tougher time raising cash following Goldman Sachs Group Inc.'s $10 billion stock sale and infusion from billionaire investor Warren Buffett. The Goldman sale ``just sets the bar at a new price'' for banks that want to raise capital, said Ralph Cole, a vice president for research at Ferguson Wellman Capital Management Inc. in Portland, Oregon, which oversees $2.7 billion including Goldman shares. **There's ``fear that others will have to go out and raise equity, and I guess one source is gone.''**

60. As a result of the record number of back-to-back failures of the nation's mightiest financial institutions, fear was rampant; the United States financial markets were undergoing unprecedented turmoil and uncertainty in September 2008.

THE FALSE AND MISLEADING CONFERENCE CALL WITH INVESTORS

61. The Class Period begins on September 25, 2008 when the Company held an update conference call that morning at approximately 8:30, before the NYSE opened for trading. Defendants Immelt and Sherin participated in the call on behalf of GE.[3]

62. In conjunction with the conference call, GE issued a press release updating its earnings guidance. The release stated that GE was revising its earnings for the third quarter and full year 2008 downward because of the financial services market's volatility. GE's September 25th press release stated in part:

> GE also reaffirmed its longstanding commitment to its Triple-A credit rating. While GE's funding position is strong and GE has performed well during the recent market volatility, it is taking steps to strengthen its already strong capital and liquidity position, including:
>
> -- Increasing capital in GE Capital to reduce leverage ratios through a reduction in the GE Capital dividend to GE from 40% to 10% of GE Capital's earnings and by suspending the current GE stock buyback.
>
> -- With a strong liquidity position and having already completed $70 billion in long-term funding year-to-date, GE Capital does not need to raise any additional long-term debt for the remainder of 2008.
>
> -- Although demand remains strong, reducing GE Capital's commercial paper to 10-15% of GE Capital's total debt going forward.
>
> -- Resizing GE to deliver 60%/40% industrial-financial services earnings split by end of 2009.
>
> GE also stated that its Board of Directors had approved management's plan to maintain GE's quarterly dividend of $0.31 per share, totaling $1.24 per share annually, through the end of 2009.

63. This was the second time in 2008 that GE had lowered its earnings guidance. On April 11, 2008, GE informed investors that its first quarter profit had fallen short of expectations by $700 million, despite that just 18 days earlier Jeff Immelt said GE was on track to deliver the

3 A transcript of the September 25, 2008 conference call is attached as Exhibit 1.

earnings. That prompted former CEO Jack Welch to state publicly on CNBC that he'd "get a gun out and shoot [Immelt] if he doesn't make what he promised now" for following quarters.

64. GE's first quarter 2008 earnings miss was the start of a downward trend in GE's stock price, which peaked in April 2008 at $38/share and drifted down to $23.53/share by the opening of trading on September 25, 2008.

65. GE scheduled the September 25th conference call in response to the extraordinary carnage in world financial markets to reassure investors of GE's strength and ability to weather the financial storm pounding the markets.

66. Defendants Immelt began the September 25th conference call by explaining that: "In light of the unprecedented market volatility, we thought it was important to give our investors an update on what we're seeing and the proactive steps we're taking to keep the company safe." Immelt reassured investors that GE was performing well, despite the "tough environment" and remained "financially strong."

67. Immelt outlined GE's plans to deal with the difficult market conditions. "We think it's important to take proactive steps to be even safer in this environment. Keith [Sherin] will outline with you some dramatic steps we're taking to strengthen the liquidity profile and reduce leverage inside the company, and these are the steps that are expected of a Triple A rated company."

68. In the face of the most difficult market conditions Defendants had ever seen, Immelt and Sherin presented themselves as supremely confident in GE's financial condition.

69. Immelt reassured investors that GE's cost of capital remained low, and funding risk remained low because GE is "match-funded." Immelt stated that the "steps we're taking and that we'll outline today, I think strengthen GE for the long term … ."

70. Sherin reiterated Immelt's observation that the current market volatility was unprecedented, but nonetheless, GE continued to perform well. Sherin assured investors that GE's ability to issue commercial paper ("CP") was not in jeopardy and that GE had more than enough liquidity to weather the storm without the need for any additional external financing. Sherin stated in part:

> Jeff mentioned the proactive steps we're taking as a Triple A. This is what investors should expect from a Triple A. We've got unprecedented financial market volatility. And if you look at the last three weeks and the events that have happened in the financial markets, you have to agree they're unprecedented.
>
> It starts three weeks ago with Fannie and Freddie. You end up following that up with significant turmoil in the investment banking world, Lehman Brothers. Then you have problems with AIG. And now you've had the two preeminent investment banks become national, federal bank agencies under the Fed. So this has just been unprecedented the last three weeks. And in an environment like that, we've performed pretty well.
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> * * *
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> So the priorities that we have undertaken here in the last few weeks and we're outlining today start with maintaining a strong liquidity position. That starts with our commercial paper programs and our liquidity plans. We have great CP programs. We go direct to investors, so we're not going through brokers. We run the program in 11 currencies.
>
> About two-thirds of the CP business is in the U.S., the rest is global; it's spread across many countries. We have had no issues funding ourselves. Even in the last 10 days where you've had some significant disruptive days, we continue to see a flight to quality. We're funding on average at LIBOR less 25, and usually below the Fed funds rate when you get to the absolute dollar amounts.
>
> So in this environment, though, we think it's prudent to reduce our absolute CP balances. We're going to end the third quarter under $90 billion from over $100 billion of CP at the beginning of the year. I think it's important to recognize that our average maturity is 61 days, so there's quite a spread in the rollover of CP.
>
> We're also going to continue to bring CP lower. We've announced today that our new target is 10% to 15% of the GE Capital debt, which is somewhere around $550 billion, a little below that. So we're going to have another $10 billion or so lower CP balance in the fourth quarter in our current plan that we've outlined for you.

> We also have lots of other funding sources. We do have deposits. We have CDs. The deposits and CDs are up to $43 billion at the end of the third quarter. That's up $20 billion since the beginning of the year, and we can take that higher. We've got a tremendous access to other sources here. And with our strong collections and originations management, we've built this plan not needing to issue any long-term debt in the fourth quarter. I think that's just a prudent place to be given the financial markets.
>
> Previously we've communicated that we completed $70 billion of long-term debt out of our total-year plan of around $80, and now we're saying we're done for the year. We may be opportunistic, but we don't need to do any more longterm debt this year.

71. Sherin further stated that GE planned to strengthen the balance sheet by cutting the dividend from GE Capital up to the parent by 75% and by reducing GE Capital's leverage ratio from 7.2:1 to 6:1 by the end of 2008. He also stated that GE was suspending it stock buyback program to conserve cash and permit GE to acquire additional companies as M & A opportunities become available.

72. Sherin explained that GE would achieve its goals of reducing leverage and increasing liquidity by shrinking the balance sheet and adjusting the mix of assets and liabilities, rather than raising new debt or equity.

> So overall, we're going to shrink the portfolio and change the mix. It's not going to be dramatic in terms of asset size. Basically, we're going to take the total assets from somewhere around $680 billion in '08, and it'll probably be somewhere around $650 billion in '09. But you're going to have a big positive mix impact while you also de-emphasize the size of GE Capital.

73. Sherin further assured investors that GE's liquidity position was solid.

> So this is a proactive approach we've taken. It makes GE even safer. And third quarter is fully funded, and there's no long-term debt issuance required in the fourth quarter, which is a nice, strong statement about our cash flows and liquidity management

74. Sherin made clear that GE was having no problem funding itself. In fact, Sherin stated that "the last three weeks have been really challenging in capital markets. We love the opportunities that we put our capital to work at, at higher margins." Sherin made clear that GE was having no problem funding itself and reassured investors that GE's traditional financing businesses were not negatively affected by the turmoil in the market.

> We're more than recovering any cost of funds increase in the business that we put out. As we said through the second quarter we had about a 45 basis point positive spread over any change in funding rates in our commercial finance business, and that's continued through the third quarter. I'll get the exact numbers as we close the books here.

75. Sherin stated that GE will have over $23 billion in cash from operations that will give GE the financial strength to protect the stock dividend at $0.31/share per quarter through 2009. Sherin also stated that as part of GE's capital strengthening plan, GE suspended its stock buyback program to permit it to lower the leverage ratios in GE Capital and to take advantage of M&A opportunities.

76. During the call GE revised its earnings guidance lower, consistent with its press release earlier in the morning, lowering its expectations for the third quarter and full fiscal year 2008 to account for mark-to-market pressure from revaluations of financial and real estate assets.

77. Immelt concluded his prepared remarks by reassuring investors that GE would maintain its Triple A rating through the capital strengthening program GE was implementing:

> . . . The Triple A is a key priority for GE. We've always said that we would manage this proactively. That's what we are doing now; that's confirmed by the rating agencies. It helps us have access to the capital markets. It lowers our borrowing costs. It's a validation for both equity and debt investors, and it really does sync up with our operating disciplines on how we run the company.
>
> So we believe we're doing what investors expect from a Triple A rated company. We're maintaining strong liquidity positions by reducing reliance on CP,

> strengthening balance sheet by reducing leverage and resizing Financial Services to about 40% of the company's earnings. We're running the company for the long term, and we feel like we've really positioned the company to be successful in this cycle.

78. Defendants then commenced a question and answer session with analysts.

79. Jeffrey Sprague, an analyst with Citigroup asked Immelt whether GE was still unwilling to consider some form of equity offering to increase liquidity.

> **<Q - Jeffrey Sprague>**: And just finally, Jeff, is the idea of any new equity still off the table? You know, someone like a Mubadala[4] all the sudden does some new equity as opposed to buying the stock in the new market. Is that type of thing open for discussion in any type of permutation? Maybe not just them, but others?

> **<A - Jeffrey Immelt>**: **You know, Jeff, we just don't see it right now. Again, we feel very secure about how the funding looks and the strength of the company and the strength of the balance sheet. Cash flows are great. The liquidity profile has been strong; it's now stronger. Leverage is better. And so we really believe in our business model and feel kind of secure that we're well-positioned here.**

80. Defendant Immelt's statement was understood by the analysts on the call to mean that the idea of a new equity offering was "not on the table" and "not up for discussion" – because GE's liquidity position was unquestioningly strong and GE had determined that it had no need and no intention of doing any further equity or debt offerings in 2008 – even with the unprecedented disruption in financial markets. The clear import of Immelt's comments is shown by the next set of questions by Deane Dray, a Goldman Sachs analyst.

> **<Q - Deane Dray>**: **<u>Great. And then just to clarify on the funding outlook near term. That was clear that you don't need any further funding in 2008</u>**. I guess 10 days ago, you had said you had done 70 billion of an expected 80. How

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[4] Mubadala is a multi-billion dollar investment company whose sole shareholder is the Emirate of Abu Dhabi. Its notable investments include an 8.1% stake in computer chip maker AMD for $622 million, $1.35 billion for 7.5% stake in private equity giant Carlyle Group, and a 5% stake in Ferrari. It also has in place several business initiatives with General Electric.

> about the idea of pre-funding some of the obligations in 2009, and how aggressive might you be over the near term?
>
> **<A - Keith Sherin>**: **That's a great question. I think right now what we've planned on for 2008 is that we do not need to do any long-term debt based on what we have here, and I think that's a prudent way to think about it because of some of the choppiness in the debt markets.** For 2009, we built this plan; we have 67 billion of long-term debts, maturities, in GE Capital next year. And the base plan is built on being able to redo about 60 billion of that. But if things are a little worse, we can manage our collections and originations and do significantly less than that. And if things are better, we wouldn't anticipate going above the 60 right now, because that's in balance for us right now on being able to bring our CP down to that 15%, 10 to 15% range, and also not needing to even issue all the same amount of debt as what matures next year. So I think we've got a conservative plan we put together here, and we're prepared. If it were tougher in the long-term debt markets, we don't need to do anywhere near that amount in next year if we had to.

81. Deane Dray’s statement confirmed that investors understood Mr. Immelt’s response to Jeff Sprague’s question to mean“[t]hat was clear that [GE doesn’t] need any further funding in 2008.”

82. Analyst John Inch of Merrill Lynch then asked Mr. Sherin about GE’s ability to continue funding its operations with commercial paper and the need to tap bank lending facilities which might increase GE’s cost of capital.

> <Q - John Inch>: Good morning. So I'm just wondering, in the short term, Keith, are you guys going to be tapping any of your backstop? I think you've got about 62 billion of bank lending facilities. Does any of that get tapped based on the disruption of CP markets?
>
> <A - Keith Sherin>: Absolutely not. If you look – how do we run the place? We've got a commercial paper program that's broad and deep. The commercial paper market is $1.6 trillion. And if you look at our 61-day maturities, you really don't have any near term pressure of any magnitude. We have about $15 billion of cash liquidity that we keep in GE Capital, and that you can see on the balance sheet at the end of second quarter.
>
> We have over $20 billion of marketable securities with a significant piece of that pool that we can obviously repo if necessary. We have tremendous

> collections flexibility here. We have 120 billion of committed maturities in the next 12 months out of our loans and leases. And finally, we have $650 billion of assets, and we have securitization platforms on every single asset class – real estate, aircraft, commercial loans and leases, credit cards. And that's not a source of liquidity today, but obviously if it had to be you could that.
>
> And then finally as you mentioned, we do have 62 billion of bank lines, we have over 70 institutions in there. They're all Double-A or better, there are no MAC clauses, but we absolutely do not have any anticipation that we would be using those.

83. Defendant Sherin reassured investors that market rumors about GE's inability to fund its commercial paper borrowings were wholly unfounded. Sherin stated definitively that, under GE's current financial plan, GE had more than enough liquidity to withstand the unprecedented market pressures and was fully able to continue to access the commercial paper market to fund its operations – without any need to tap GE's bank lending facilities.

84. While investors were not pleased that GE would not meet its earnings guidance, the reassurances from Defendants Immelt and Sherin that GE was well capitalized, had sufficient liquidity and had no need, or intentions, to raise any additional equity or debt financing for the remainder of 2008, caused GE's stock price to immediately rise by almost 5% that day.

85. Defendants' statements were materially false and misleading because, GE was actually in the process of arranging a $15.0 billion equity financing on very unfavorable terms at the same time Defendants stated that GE had no need, and did not even consider as a possibility, to raise any additional equity financing in 2008. GE gave investors the false impression that while other financial companies might be unsound, GE's financial condition was unaffected by the market turmoil.

86. Following the September 25 conference call, analysts updated their earnings models for GE and did not adjust for any possible increase in shares outstanding, i.e. assumed no dilution to the revise earnings guidance.

87. Shortly after GE's conference call, defendant Immelt gave an interview on CNBC in which he reiterated GE's prior comments from the conference call. Immelt described this as "One of the toughest financial markets anybody has ever seen. … we're in a month that is not a one in ten-year month, it's a one in 100 year month." Immelt described the turmoil in the markets and reassured investors that GE's liquidity position was strong even though financial markets were roiling:

> When you get the amount of uncertainty, right, you had Fannie and Freddie one weekend and Lehman Brothers the next weekend. You had AIG. You had people breaking the buck. We were concerned, but I think it's one of those things, David, there's a reason why you're AAA. I had a thousand people tell me in the last five years dump the AAA, lever up, blah, blah, blah, we didn't do it. And the reason why we are AAA is because we woke up Wednesday morning, Thursday morning, Friday morning, rolled our CP with no trouble, got good pricing relative to Libor and that's why you're AAA. … .

88. When asked whether GE's need to tap bank lines of credit to shore-up liquidity in the short-term, Immelt responded:

> We don't, …. I think Keith said it well on the call today. We've got immense liquidity. We generate, just our collections is like $120 billion, $130 billion a year, we've got great liquidity inside the company and inside GE Capital. The bank lines [are] a doomsday scenario, we just don't see it and we're not planning on it and we really don't think that's going to take place.

89. Immediately after GE's September 25, 2009 conference call, Moody's issued a statement reaffirming GE's Triple A rating based on Defendants' statements in GE's September 25th press release and the conference call:

> Moody's commented today that General Electric Company's (GE) revised operational and financial strategies for General Electric Capital Corporation (GECC), its finance unit, are supportive of the Aaa long term and Prime-1 short term ratings of both GE and GECC. The ratings outlook is stable. Moody's believes that GE's planned actions to address the additional risks resulting from the heightened volatility in the global capital markets are appropriate and necessary. GECC's wholesale funding model exposes it to systemic capital market shocks because of its large and continuous funding requirements. GE's plans include operating GECC with a reduced reliance on the short term capital markets and building additional liquidity reserves.

90. GE’s share price rose following the statements made by Defendants Immelt and Sherin on the September 25th conference call. After opening for trading at $23.53/share on September 25th, GE’s share price increased steadily that day to close at $26.08 per share. This price rise is notable because GE had warned investors that it would not meet its prior earnings guidance for the 3rd quarter and the full fiscal year, a factor which would ordinarily have caused a substantial share price drop.

91. GE’s share price rise was even more surprising given this was the second time in six months GE had disappointed analysts by cutting its earnings guidance for 2008. Market commentators attributed GE’s share price increase to the positive statements that GE had more than enough cash on hand and would not have to raise any more equity or debt in 2008.

AFTER THE FALSE AND MISLEADING CONFERENCE CALL, THE TURMOIL ON WALL STREET CONTINUED

92. On September 26th, UBS issued an analyst report on GE stating in pertinent part: “GE’s stock price increased 4% yesterday; we believe investors were reassured by GE’s commitment to maintaining its dividend (nearly 5% div. yield) and comments on funding/liquidity.”

93. On September 26th, Washington Mutual Inc. was seized by government regulators and its branches and assets sold to JPMorgan Chase & Co. in the biggest U.S. bank failure in history.

94. Markets took the WaMu failure in stride. Oppenheimer & Co. analyst Meredith Whitney wrote in a research note: ``It is important to acknowledge that the largest U.S. thrift just failed and did so seamlessly with the commendable stewardship of the FDIC, … . Things could have played out much worse for all the deposit-taking parties involved."

95. Also on September 26th the New York Times reported that Citibank was in preliminary merger talks with Wachovia.

96. On Monday September 29, 2009, U.S. stocks dropped on news that Congress could not reach agreement on a bank bail-out plan. The Standard & Poor's 500 Index dropped 8.8%. GE's stock price closed down $2.15/share for the day, 8.5% lower.

97. On September 30, 2008 the U.S. stock market rebounded vigorously on news that congressional agreement on a bank rescue package would soon be reached. GE's share price rose higher than the broader market indexes, gaining 10.4% to close at $25.25 – increasing more than it had dropped the previous day.

98. On September 30th Bloomberg News reported: "U.S. stocks jumped the most in six years as growing expectations that lawmakers will salvage a $700 billion bank-rescue package helped the Standard & Poor's 500 Index recover more than half of yesterday's 8.8 percent plunge. JPMorgan Chase & Co., Citigroup Inc. and Bank of America Corp. climbed more than 13 percent as Senate leaders vowed to resume work on the bailout plan this week after its rejection spurred the market's steepest decline in two decades. … All 10 industries in the S&P 500 advanced at least 1.3 percent .'There is some renewed hope that Congress will come back and try to get the amended plan through,' Robert Doll, who oversees $1.3 trillion as chief investment officer of global equities at BlackRock Inc. in Plainsboro, New Jersey said."

GE REVEALS ITS ACTUAL PLAN TO RAISE EQUTY AT BELOW MARKET PRICE

99. On October 1, 2008 at 9:57 a.m. CNBC market commentator David Faber noted that GE's stock price is significantly lower this morning. Faber said there are a lot of 'crazy rumors' out there, but can't imagine that any of them are true.

100. At 10:43 a.m. Bloomberg reported "General Electric Co. defended its financial health and that of its finance arm after shares fell and credit default swaps surged on speculation it may have to tap bank lines because of trouble funding commercial paper. 'We see no reason for the defaults widening,' GE said in a statement. 'Despite current market disruptions, our CP funding has gone smoothly. We have over-funded every day, including today, with good demand for our paper in term maturities.'" GE repeated its earlier statement that its bank lines backing up its commercial paper will "absolutely not" be tapped.

101. On October 1, 2008, at 1:43 pm, trading in GE stock was halted, pending a Company announcement.

102. Fifteen minutes later, the Company announced that it planned to offer at least $12 billion of common stock to the public and $3.0 billion of preferred stock to Berkshire Hathaway. No pricing information was provided to shareholders as to the new common stock offering.

103. On October 1st - prior to disclosure of the pricing for the public stock offering - Standard & Poor's characterized the GE equity offerings as "a positive development that supports the ratings of GE and General Electric Capital Corp." S&P also commented that the move to improve liquidity was "prudent" and it does not believe that either GE or GECC "has experienced any problems with its commercial paper funding."

104. GE issued a press release announcing the stock offering in which Immelt stated, "This action does two things for GE investors. First, it enhances our flexibility and allows us to execute on our liquidity plan even faster. Second, it gives us the opportunity to play offense in this market should conditions allow. In addition, we remain committed to the Triple A rating and in the recent market volatility, we continue to successfully meet our commercial paper needs."

105. The news that Berkshire Hathaway invested in GE was such positive information for the market that it mitigated the market's negative reaction regarding GE's need to raise $15 billion, as GE enjoyed the so called "Buffet Premium" – an increase in value on the basis that Buffet's investment in a company vouches for the company's quality as an investment and makes the company more valuable.

106. GE's stock price did not drop immediately on October 1st upon announcement of the public offering because that bad news (that GE needed funds in a turbulent market) was released together with the very positive news that Berkshire Hathaway was investing $3.0 billion into GE. The good news of Buffet's investment was offset by the bad news of the $12 billion stock offering, and GE had not yet disclosed the damaging fact that the public offering shares would be sold at a substantial discount to current market value.

107. On October 2, 2008, GE shocked the market when it announced, before market open, the pricing of its $12 billion common stock offering. GE priced 547,825,000 shares of its common stock at $22.25 per share—nearly a 10% discount to its previous trading day's closing price of $24.50 per share.

108. When the market learned that GE planned to issue $12 billion of new common stock at a 10% discount to the current market price, GE's stock price immediately declined approximately 10% as a result of this adverse news.[5]

109. The October 2, 2008 announcement that the $12 billion stock offering would be priced at a substantial discount to GE's current market price caused the Company's stock, which had closed at $24.50/share the prior day, to gap down and open trading at $22.83 per share, and then decline to a daily low of $22.01/share.

110. As a result of the announcement of the harsh terms and dilutive nature of the public stock offering, which indicated GE was in desperate financial straits, GE's stock closed on October 2nd at $22.15 per share—down 9.6% or $2.35 per share from the previous day on extraordinary volume.

THE UNFAVORABLE TERMS FOR THE FINANCING SHOW THAT GE'S TRUE FINANCIAL CONDITION WAS WORSE THAN DEFENDANTS REPRESENTED

111. Defendants knew that under the difficult current market conditions at that time a huge $12 billion offering would have to be priced at a substantial discount to current market price.

112. The steep discount to current market price for the $12 billion of common stock GE issued and the harsh terms of the $3.0 billion of preferred stock GE sold to Berskshire Hathaway indicate just how desperate and precarious a financial position GE was in.

113. GE priced the $12 billion of common stock at 10% below market. The preferred stock carried a guaranteed 10% dividend (with preference on earnings), was redeemable at a 10% premium and included a warrant to purchase $3 billion of GE common stock at $22.25 (10% below

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5 The underwriters exercised the overallotment option and sold $14 billion of common stock in the public offering.

current market price). These poor terms indicate that GE was in a distressed financial condition, because otherwise GE would not have agreed to sell equity at below the current market price of its stock.

114. This distressed financial condition stands in stark contrast to the supremely confident statements that Defendants made to investors on September 25th that GE's liquidity position was strong and its capital base more than adequate, that it continued to access the commercial paper markets on favorable terms and that there was absolutely no need or intention to complete an equity or debt financing.

115. GE never could have achieved the financial plan it announced on September 25 without the funds raised in the offerings. On the September 25 call, Sherin stated that GE would achieve its goal of reducing leverage from 7.2:1 to 6:1 by the end of 2008 without selling any new debt or equity.

116. In a press release issued on January 23, 2009, Immelt stated that GE used $5.5 billion from the equity offering to meet its stated goal of debt-to-equity leverage of 7:1 by the end of 2008. Even after raising $17 billion of equity on October 1, GE still didn't meet its liquidity plan to pay down debt to a 6:1 debt-to-equity leverage ratio by the end of 2008. Thus, even with $17 billion of additional capital raised in the offerings GE still did not meet its September 25 liquidity plan. The $17 billion raised in the offerings was merely enough to prevent GE's liquidity position from worsening.

117. This shows that defendants' September 25 statement that GE could meet its liquidity plan without raising new debt or equity was knowingly false.

118. If GE was in such great financial health on September 25th, when Defendants made those rosy representations, then why did GE sell $17 billion of common and preferred stock in a desperation financing just 4 business days later?

119. The answer is that GE, like most other financial institutions, was not in a great financial shape on September 25th, but instead of revealing the truth, Defendants misrepresented to investors that GE's Triple A rating was not in jeopardy, and that GE was not in need of any external financing.

THE MARKETS' INTERPRETATION OF GE'S FALSE STATEMENTS; ACTIONS SPEAK LOUDER THAN WORDS

120. On October 2, 2009, Credit Suisse issued a research report entitled "Raising Capital And Eyebrows." The report read in pertinent part:

> **Yesterday Afternoon, GE Announced Plans to Offer at Least $12 Billion of Common Stock to the Public.** The announcement comes on the heels of saying on 9/25 when asked about issuing new equity that "we just don't see it right now". In addition, GE announced it will sell $3B of perpetual preferred stock to Berkshire Hathaway. The preferred has a perpetual dividend of 10% and is callable after three years at a10% premium. Berkshire Hathaway will also receive warrants to purchase $3B of common stock with a strike price of $22.25/share, exercisable at any time for five years.
>
> **Actions Speak Louder Than Words.** Yes things in the financial markets have eroded since GE last spoke publicly given failure to pass bailout, Wachovia sale and frozen CP markets. However, this is an expensive way to shore up funding and selling stock down here is far from ideal. Credibility concerns continue to mount as company's public commentary surrounding funding and outlook seems to be negated by it's actions in the marketplace. When a Triple-A rated company needs to raise capital at this cost, we believe it's an extraordinarily negative event for both the co. and the market. [Emphasis added.]

121. A bond analyst at Gimme Credit stated: "As a bond analyst, we approve of General Electric's move to raise new capital in order to reassure fixed income investors at a time of

unparalleled stress in the credit markets. But it is not entirely reassuring that GE felt pressured to offer terms that will dilute its existing shareholders."

122. On October 13, 2008, UBS issued an analyst report stating: "We are reducing our 2008, 2009, and 2010 earnings estimate to $1.95 per share (was $2.00 per share), $1.75 per share (was $1.85 per share), and $2.00 per share (was $2.15 per share), respectively. Our estimate reductions primarily reflect the dilutive impact of the recent common and preferred equity offerings."

DEFENDANTS' EXPLANATIONS FOR DOING THE
$15 BILLION EQUITY OFFERINGS ARE
CONTRARY TO THEIR PRIOR ASSURANCES

123. On October 10, 2008, GE held another conference call with investors.6 Defendants stated in part:

> <Jeffrey Immelt>: What we talked about on September 25th was proactively protecting the Triple A. We're on that pathway to reduce leverage to 6:1 by then end of '09 and the CP to 10% to 15% of debt will occur by the end of '08. We won't require any long term debt in fourth quarter '08. Our collections are outpacing our origination right now and we've growth our retail deposits up to $43 billion which again we think is another important funding source.
>
> <u>We accelerated our liquidity plan</u> and we have clear protection now if the CP market remains under duress we really see the CP market improving right now. We've had no problems with our own CP but I think we just taken this issue off the table for investors. The $15 billion equity offering gave us more cash and now the back up lines plus cash are greater than CP.
>
> * * *
>
> We really believe we've aggressively risk reduced the company in this volatile market and our Board had approved the management plan to maintain the GE dividend through 2009. We think that gives our investors some real strength looking at the current markets.
>
> * * *

6 A transcript of the October 10, 2008 conference call is attached as Exhibit 2.

<Keith Sherin>: First is the third quarter results versus the second quarter guidance, we all have been living this environment but the third quarter had extraordinary financial volatility by any measure. We had Fannie Mae, Freddie Mac, Lehman Brothers, WaMu, AIG, and we were impacted by that volatility. We had $533 million of negative marks and impairments in the quarter.

* * *

Third point that I want to cover about Capitals Liquidity, Jeff talked about it, I mentioned it, and the numbers are on the left side. We ended the third quarter with $88 billion of Commercial paper. Our commitment was to bring CP under $90 billion in the third quarter and down to $80 billion by the end of the year and we're going to do that.

In the middle, the left side is the long term debt maturities through the fourth quarter '09. Over the next 15 months we have $81 billion of long term debt maturities and you can see the timing. We've already said that we don't need to do any long term debt in the fourth quarter. I'll talk about the future going forward but you can see the good news is these are spread out and they're pretty level loaded and they're actually back end loaded into the second half of '09.

The third category is other sources of funding. We've got $43 billion of Retail funding today and we're going to be able to continue to grow that. If you look at the right side there are some themes about how we've been thinking about liquidity in the last few months. It starts with Triple A, this is an advantage for us we know it, it's been confirmed by the rating agencies and from the Board of Directors through the leadership team and to every employee we're committed to run the company as a Triple A and it's certainly serving us well.

The second thing is debt markets have been volatile but we are still funding ourselves without any issues. If you look at CP in fourth quarter '07 the average cost of our Commercial paper program where we had higher balances was about 5%. In the third quarter '08 the average cost was 2.5% and that's the same average cost for the last couple of weeks. It's been a challenging global market but we have been able to fund ourselves and the funding costs have actually come down versus what we were dealing with a year ago. I think that's a positive.

We do have more protection today if the CP market remains under stress, Jeff talked about it. We had a liquidity plan that said we were going to get our bank lines plus our cash equal to our CP by the end of the year. After our earnings call last week, the pre-announcement we said that may not be fast enough and we went right to work on well how do you accelerate that and that's why we did the equity offering and we've accelerated. Today our bank lines plus our committed cash are greater than our CP and that's a great place to be.

We also had the Retail sources to grow funding. I mentioned the number but we've grown our deposits $20 billion since the beginning of the year and we can do more. In our banks we have two banks that we use in the US that are funded in both Commercial and Consumer assets with deposits. On long term debt we can proactively manage the long term debt maturities by working our origination and collections equation.

* * *

On the right side is the total no change from the September 25th earnings guidance except for on EPS you have to account for the dilution from the additional equity offering. We're on track for the revised 9/25 guidance adjusted for dilution and let me turn it back to Jeff.

* * *

< Christopher Glynn – Oppenheimer>: In terms of the commentary on the Triple A really talking about the commitment to keep it rather than saying you're not at all worried about it. I don't know if I'm reading too much into that but just basically I look at you continuing to originate, maintaining the shareholder dividend that would be a pretty strong commentary that you're simply not worried about it.

<Keith Sherin>: I'm not worried about it but I want to make sure everyone understands we're operating the company to be a Triple A. It's obviously a very high rating; it's something that a lot of companies don't have. We're committed to it and that means that we're going to take proactive steps like cutting the GECS dividend and strengthening the leverage ratios and reducing our reliance on CP. <u>At the end of the day if we had to raise cash to rid a perceived liquidity issue we did it</u>.

That's what I mean by it, it's not something I'm worried about. We want to make sure we run the company to be a Triple A and we're confident about that. Obviously it's something that you have to make sure you're protecting your bond holders with the actions you take and we think we've been very proactive and very consistent on doing that. When I talk about committed to running the Triple A it isn't because I'm concerned about it, it's because the philosophy of how we run the company from the Board of Directors through the leadership team on down.

< Christopher Glynn – Oppenheimer>: A little more on the funding, talk about the backup capacity for the Commercial Paper does the government actions really remove any prospects of having it tap the credit lines to current thinking? On the long term less than a year for next year could you talk a little bit more about how you feel around that?

<Keith Sherin>: When you look our liquidity plan one of the objectives we had

was to get to the fourth quarter, end of the fourth quarter and have our cash plus our bank lines be greater than our CP. Obviously with the equity raise we build that cash cushion so we could say that we have that today. If you look at steps that are available to you number one we've got our great broad CP market we haven't had any trouble funding ourselves. We feel like the actions we've taken and the actions the Fed put in place actually give the CP market even more confidence about us and that we've seen that.

We continue to fund ourselves at very low rates without any issues. I think that we have the bank lines for a reason, they're there for protection. They're committed, they're Double A institutions or better there are over 70 people in that bank line. We have bilaterals and have syndicated bank line. They're there for protection. The Fed facility I think is there for protecting CP investors and our customers. I think it's a very positive and in the event that gave our customers more liquidity I think that would be available to us and would probably be certainly a priority in front ever going to the bank lines if you ever had to.

We'll have to see what happens as we go forward here. We don't plan on using any of those but if we were to do it in order I would say that that Fed facility is a great liquidity facility for our customers. I think it's a very big positive and we're working to make sure we know how it works and have access to it and could use it if we wanted to.

<Jeffrey Immelt>: I think we thought it was smart to have suspenders on suspenders on suspenders in this cycle. I would say the first thing is Triple A, what Keith talked about and even with all this volatility we have never had issues in the CP market rolling our paper. We've got a lot of investor support so that's kind of phase one. Phase two I think was getting more cash inside the company so that we accelerated our liquidity plan and just took that off the table with cash plus bank lines being greater than CP.

I think phase three has been the work that the Fed did that really protects the whole market and so far as GE is a part of that market I think that's another great signal. I think our investors have to feel really great about those lines of defense. I think we've taken some big issues off the table for investors. That's what we really wanted to do.

<Keith Sherin>: I think that rolls into your long term debt point too. I think if you look at, we put a liquidity plan together and an origination plan together so we did $70 billion of long term debt this year, we had an original plan to do $80 billion. We're not going to do that last $10 billion in long term debt in the fourth quarter we're going to manage originations and collections with real tightness and as a result we're going to be able to bring the CP down to around $80 billion at the end of the year and not have to do any long term debt in the fourth quarter.

I think as you roll into 2009 you can see we've got $66 billion of maturities in 2009 and right now our plan was that we issue about $60 billion which will be a down from the last several years dramatically. There will be a shrinkage of GE paper out in the marketplace. We anticipate being able to do that. In the event that you had more stress that continues into the first quarter here around long term debt markets we would continue the management of originations versus collections that we're doing in the fourth quarter into the first quarter in the same way.

We have obviously a lot of flexibility to be able to deal with those first quarter maturities or even to lower the total maturities that we refinance next year in the long term debt markets. I think we're being very prudent about it. We're planning for really tough scenario here and if the debt markets are open we'll be more opportunistic about making sure we take advantage of some of that.

<Jeffrey Immelt>: We've got real retail strength as well as so we've got new pools of financing which we think we can grow pretty substantially.

* * *

<Keith Sherin>: The other piece is clearly what we're doing around liquidity. I think in a wholesale funding model you want to change your reliance on those commercial paper markets and we're doing that. We have the Commercial paper down to about $75 billion next year with the $20 billion cash flow injects just against that. Just the Commercial paper alone will be below the bank lines by that point in time.

<Keith Sherin>: I think that's the other piece that you have to change as you look at this wholesale funding model. Less reliance on the high leverage products and a different framework in terms of where you're getting that money in the marketplace.

* * *

<Jeffrey Immelt>: Thanks everybody. Two points I want to make. First is just to recap all the proactive things we've done to I think substantially risk reduce the company from protection of Triple A. I think the equity raise that generated cash that I think accelerated the backup lines in cash being greater than CP takes that risk off the table. I think ultimately that the making Fed window available to the industry I really do think, this volatile economic time we've done a good job of protecting the company and risk reducing the company.

<u>DEFENDANTS KNOWINGLY MISLED INVESTORS</u>

124. Ordinarily, GE would not hold an unscheduled conference call and revise its earnings estimates on September 25th with only one week left in the fiscal quarter, as the quarter was almost complete and actual earnings would be released and estimates revised in two weeks. One of GE's primary reasons for the unscheduled September 25, 2008 conference call was to revise GE's earnings estimates in advance of the soon-to-be-disclosed October 1, 2008 stock offering.

125. Absent its plan to sell stock in the offerings, GE was not required to revise its earnings estimates on September 25. GE revised its earnings estimates downward on that call because otherwise GE would face potential liability for securities fraud from purchasers in the October 1, 2008 stock offerings for not disclosing that GE's earnings were below previously issued estimates. Had GE simply disclosed the lowered earnings guidance in the offering prospectus, the negative surprise would have had a devastating effect on the offering.

126. GE's gratuitous revision of its earnings guidance just two weeks before its regularly scheduled conference call demonstrates that GE was planning the October 1 stock offering and revised its earnings guidance to comply with disclosure requirements in advance of the offerings.

127. Even if GE were to privately disclose its lower earnings guidance to Berkshire Hathaway prior to the offering, Berkshire would have wanted to wait until after the revised earnings were publicly announced before pricing and completing its stock purchase, as the risk of GE's stock price declining upon subsequent public disclosure was high.

128. On October 1, 2008, when asked why GE sold $15 billion of new equity when it had only 5 days earlier stated it wouldn't, GE Spokesman Roger Wilkerson responded that "Since then, the failure of Washington Mutual Inc., the sale of Wachovia Corp. to Citigroup Inc., and the failure of Congress to pass an economic-rescue package changed conditions enough for GE to look outside

… . Since we updated investors last Thursday, a lot has changed in the world. … The announcement today addresses the changes in the current environment.”[7]

129. In an October 1, 2008 press release announcing the $15 billion in equity offerings Defendant Immelt was quoted as saying: "This action does two things for GE investors. First, it enhances our flexibility and allows us to execute on our liquidity plan even faster. Second, it gives us the opportunity to play offense in this market should conditions allow.”

130. The preliminary prospectus GE filed with the SEC on October 1, 2008 for the sale of $12 billion of new common stock stated that reasons GE was completing the offering:[8]

> In light of continuing volatility and developments in the financial markets since September 25, including uncertainty as to if, when and in what form the U.S. government’s proposed Emergency Economic Stabilization Act of 2008 (the “EESA”) will be enacted, we are seeking through this offering to accelerate our plan to enhance our capital base and liquidity position.

131. GE’s explanation for the $15 billion in new equity financing is incredible, given Defendants’ statements on September 25th as to the strength of GE’s capital base. Given the unceasing tumult in the financial markets over the past many months, none of the events that occurred after September 25th were in the least bit extraordinary. In fact, the one constant was the extreme volatility that had plagued financial markets since early September when AIG’s troubles first came to light.

132. During the September 25th conference call, Defendants did not caution investors that GE’s determination not to raise new equity was based on or tied to “if, when and in what form the

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7 Source: Bloomberg LLP. Citigroup initially had a deal to acquire Wachovia. After Oct. 1, 2008, Wells Fargo topped Citigroup’s offer and successfully acquired Wachovia.

8 The October 1, 2008 prospectus was actually a preliminary prospectus supplement to a prospectus dated December 5, 2005. The $12 billion stock offering was issued pursuant to an “automatic shelf-registration” which apparently permitted GE to file a supplementary prospectus

U.S. government's proposed Emergency Economic Stabilization Act of 2008 (the "EESA") will be enacted". If Defendants' September 25th statements were based on the assumption that Congress would approve the bank bail-out legislation, then Defendants should have conditioned their statements on that contingency.

133. That Defendants expected financial markets to remain turbulent well beyond September 25th is evidenced by Defendant Immelt's statements during a live CNBC interview broadcast immediately after the GE conference call on September 25th in which Immelt stated in part:

> <Melissa Francis>: Yeah. You said you don't expect the financial services market to improve in the near future was the quote that everyone was carrying today. Can you give us any more color on the timing on that?
>
> <Jeffrey Immelt>: Trish, really, I would say our treasury team and our business leaders have been working the last couple of weeks, you know, since the world has kind of gone crazy saying okay, where are we and what's going on? What do we see and what kind of trends? Here's what we're seeing in Q-3, there is no reason at all to assume it's any better in Q-4. Let's not make any more projections in Q-4 that's any different than right now. That's where we are. If liquidity comes back then we can change but right now it is what it is today.

134. Thus, GE's explanation in its October 1st preliminary prospectus for why it was reversing course and acting contrary to its September 25th stated intention not to raise any new debt or equity: because of continued volatility in the financial markets - was false. Defendants had always expected continued volatility in the markets. Nothing had changed.

135. Indeed, Citigroup's proposed acquisition of Wachovia (later acquired by Wells Fargo at a much higher price) and JP Morgan Chase's acquisition of Washington Mutual's assets actually

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and sell the stock without obtaining further approval from the SEC.

provided investors a sense of relief in that the potential fallout from these bank failures had been minimized.

136. During the September 25th conference call, Defendants knowingly misrepresented to investors that GE had no plans to issue new equity, using language implying that it was not even a reasonable possibility or an option that might be considered.

137. Then, only 4 business days later, GE completed the second largest stock offering in United States history.[9]

138. GE was required to obtain board of approval prior to going forward with the equity offerings.

139. The underwriters were required to perform an extensive due diligence investigation for the public equity offering. This investigation would have taken more than a week given the size of the offering and work required. In September 2008, analysts and market commentators were seriously questioning the true value of GE's substantial portfolio of opaque mortgage and other loan related assets whose value was subject to grave doubt. The need for heightened due diligence was particularly strong because several world-class financial institutions holding similar assets had recently failed.[10] It is highly unlikely that the lead underwriter Goldman Sachs was able to complete a proper due diligence investigation for the equity offering in only 48 hours. The stakes in the offering were far too great for Goldman Sachs to rush through due diligence in such a short time.

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9 According to the NYSE the largest stock offering in the U.S was VISA's IPO in March 2008 raising $17.9B. ATT's public offering raised $11.2B. Worldwide, GE's equity raise stands 5th behind Industrial & Commercial Bank of China $21.9B; Mobile Comm. Network Inc. at $18.4B; ENEL SpA at $16.45B; and Deutsche Telekom at $13B.

10 GE Capital which is a financial institution comprised more than 75% of the assets on GE's balance sheet. *See*, GE fiscal 2008 Form 10-K, dated February 18, 2009. .

140. If Defendants' proffered excuse is accurate: that the September 29th stock market drop resulting from failure to pass the EESA legislation caused GE to change course and seek equity financing, then GE was able to obtain board approval, complete due diligence and draft and negotiate all of the required legal documentation for their $15 billion in offerings in 48 hours. This is perhaps not an impossible task – but certainly a highly improbable.

GE HAD A STRONG MOTIVE TO CONCEAL ITS TRUE FINANCIAL CONDITION AND ITS DESPERATE NEED FOR FINANCING

141. Defendants issued the September 25th misstatements to quell investors' anxieties concerning GE's liquidity, capital strength and potential equity dilution. News that GE was in need of capital to maintain its Triple A rating would have stoked fear in an already volatile market for GE securities.

142. Besides common stock, GE and its subsidiaries had outstanding 78 different series of preferred stock, 1,480 different medium and long-term note securities and 6 different money market securities, including commercial paper.[11] During 2008, GE had outstanding $194 billion in short term borrowings, including commercial paper, bank loans and current portions of long term debt. GE also had $330 billion of long-term debt outstanding in 2008.

143. If during the volatile weeks of September 2008, GE did not quell market speculation that it was undercapitalized and illiquid, the cost for GE to replace its borrowings would have increased, as its credit default swap rates had already increased to unprecedented levels during September 2008 and were getting wider each day.[12] Attached as Exhibit 3 is a chart showing the vast increase in credit default swap rates for GE Capital relative to other Triple A rated companies in

11 Source: Bloomberg LLP.

12 Reuters reported that CDS spreads for GE Capital debt jumped 110 basis points to 500 basis

September 2008. GE's widening credit default swaps spreads indicated that the market believed the risk that GE might default on its debt was far greater than the risk of default for other Triple A rated companies.

144. Defendants feared that an increase in the cost of GE's borrowings would have placed pressure on GE's profits and jeopardized its sacrosanct Triple A rating. In order to protect the Triple A rating, Defendants were highly motivated to convince the financial markets that, despite the turmoil, GE's capital base and liquidity position were strong and it had no need to raise additional capital.

145. Defendants acted recklessly to allay investors' concerns about GE's financial condition because further market uncertainty about GE's financial condition would have caused GE's commercial paper spreads to widen even further, limiting GE's financing options, and hampering its ability to borrow funds for continuing operations in an already challenging market.[13]

146. Defendants also had a strong motive to keep GE's stock price inflated on September 25th because they were about to complete $15 billion in equity financings – one of the largest equity financings in history – and even a 10% decline in GE's stock price would raise the cost of capital by $1.5 billion or more.

147. GE's business needs dictated that Defendants must conceal the equity offering from the markets until the very last possible moment when underwriters and investors were in place and pricing of the offering was imminent.

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points on 9/17/2008.

13 A 300 basis point rise in the borrowing rate for commercial paper would increase GE's borrowing costs by $2.7 billion per year or $225 million per month. This does not include the increased borrowing costs for GE's other debt.

148. Had GE announced on September 25 its intention to sell $15 billion of stock its stock price would have decreased much more than it did on October 1 – especially if no lead investor such as Berkshire Hathaway existed.

149. By concealing news of the offering, GE maintained its stock price, increasing its ability to attract a lead investor such as Berkshire Hathaway for the offering.

150. Defendants were also motivated to conceal the offering for a short period of time because by buying time to negotiate a deal with a respected investor such as Warren Buffett, GE hoped to couple the negative news of the public offering with positive news of Warren Buffett's participation.

151. Defendants were motivated to conceal the offering because they believed GE's stock price would decline much less if they announced the public offering together with positive news that Berkshire Hathaway was also investing in GE, as Buffett's investment is the good housekeeping seal of approval for Wall Street.

152. Even though announcing Berkshire Hathaway's investment would have boosted GE's stock price, had the $12 billion public offering been announced on September 25, the dilution that defendants sought to avoid would already have been irreversibly done because (a) Berkshire Hathaway would be buying its shares at the depressed "post-disclosure" price, if it purchased them at all, and (b) there would have been a week-long gap between announcement of the offering and its pricing, which placed the entire offering at risk of being priced far below GE's share price at the time of announcement or of the offering failing.

153. The reason an issuer sells stock in a rapidly executed shelf-offering is to announce the offering and price it in a single day to avoid market price volatility, (i.e., having the market fall out from under the issuer).

154. Defendants believed concealment of the offerings until the last minute would result in the stock offerings being completed at a higher price. By implementing a rapidly executed shelf offering GE eliminated the market-price risk inherent in a lengthier conventional offering that often includes investor road shows.

155. Thus, GE intentionally delayed news of the offering until it had secured Buffet as an "anchor investor" and then announced and completed the offerings in a single day which minimized effectively the downward pressure on the sale price of GE's stock in the offerings, helping GE to sell the stock at the most favorable price possible, and hence minimized the dilution from the offerings.

156. GE knew that if it announced the public offering on September 25 before all the disparate issues related to its liquidity problems had been solved, there was a substantial risk that its stock price would have fallen much more than the 10% it ultimately did to account for dilution. A drop on September 25 would have made pricing of the public offering much softer and it would have stoked investors' fears at a very turbulent time. Thus, instead of selling $17 billion of stock at $22.50/share GE may have found itself selling it at $15/share, costing it billions of dollars–or the deal may not have been done at all.

157. Through their misstatements, Defendants were able to save GE at least $1.7 billion by selling the $17 billion of shares in the offerings at a price at least 10% higher than GE otherwise would have – all at the expense of Class members.

THE LIKELIHOOD OF BAIL-OUT LEGISLATION BEING APPROVED DID NOT CHANGE APPRECIABLY

FROM SEPTEMBER 25TH TO SEPTEMBER 30TH

158. GE's pretext for selling the $15 billion in equity was that Congress failed to pass the Emergency Economic Stabilization Act of 2008 on September 28th. Yet, Congress had been heatedly negotiating the form of the bank rescue package since it was first announced on September 19, 2008.

159. From the day it was announced, lawmakers disagreed vigorously as to the form it should take or whether there should be any bail out at all for the banks and brokers that the public perceived as being responsible for the financial problems overwhelming the nation. From inception, no aspect of the proposed bank rescue package was certain.

160. Contrary to the Company's assertion, neither Congressional nor public opinion underwent any seismic – or even significant – shifts before or during the days preceding GE's issuance of $15 billion in new equity on October 1st. Indeed, the prospects for legislative approval of the so-called "bailout" bill had been quite uncertain since at least September 18, 2008, when news that the federal government was contemplating some sort of recovery measure first became public, and remained so throughout the duration of the month. The public record is replete with evidence of this incertitude.

161. On September 18, 2008, the architects of the bill – Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke – made clear that the form and function of a possible recovery or bailout measure were undetermined. "**They** [Secretary Paulson and Chairman Bernanke] **are exploring all options**, legislative and administrative," the Treasury Department said in a statement. (*USA Today*) (Emphasis added).

162. The details of the plan, which sought $700 billion to be used to purchase

underperforming mortgage-related assets from private banks, were first made public on September 20, 2008. Immediately thereafter, uncertainty about the bill's passage and the form in which it might be approved were pervasive.

163. Democratic Senator Chuck Schumer, chairman of Congress' Joint Economic Committee, said of the bill, "This is a good foundation of a plan that can stabilize markets quickly. But it includes no visible protection for taxpayers or homeowners. We look forward to talking to Treasury to see what, if anything, they have in mind in these two areas." (*Newsweek*).

164. Republican Senator John Boehner, sounding a less optimistic note, said, "We need to do everything possible to protect the taxpayers from the consequences of a broken Washington." He added, "Efforts to exploit this crisis for political leverage or partisan quid pro quo will only delay the economic stability that families, seniors, and small businesses deserve." (*Newsweek).*

165. Two days later, on September 22, 2008, the fate and shape of the bailout measure remained in flux. Congressional Democrats argued that the Treasury should receive an equity stake in the companies it aids. In the words of Senate Majority Leader Harry Reid, "Democrats believe that in exchange for shouldering the enormous burden of the Bush plan, taxpayers should reap any future economic rewards. This plan should not permit taxpayer money to purchase an asset at an inflated price exclusively for the benefit of private shareholders." (*Investor's Business Daily*).

166. Republican lawmakers, meanwhile, continued to resist the notion of *any* government intervention: Representative Mike Pence, a Republican from Indiana, wrote: "To avoid a slide into socialism for our financial sector, Congress must consider all available options to put our nation's economy back on its feet. There are no easy answers but there are alternatives to massive government spending." (*Investor's Business Daily).*

167. This sentiment was echoed even more loudly the following day, September 23, 2008, as legislators reacted to constituencies increasingly hostile to the recovery plan.

168. In an interview with the Street.com, Jim Cramer a noted Wall Street commentator, stated that "Wall Street loves the plan, but Main Street hates it."

169. The Street.com reported that "All eyes were glued to Congressional hearings on Tuesday and Wednesday as the country's top financial regulators were grilled by lawmakers about their $700 billion bailout proposal. Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke faced tough questions and sharp attacks about the wisdom of the plan and how it will help American taxpayers."

170. Republican Senator Jim Bunting commented, "This massive bailout is not a solution. It is a financial *socialism and it's un-American." (ABC News 9/23).*

171. *Democr*atic Senator Robert Menendez similarly remarked, "Why are we asked to put $700 billion to keep CEOs in their office while families get kicked out of their homes?" (*ABC News 9/23).*

172. Further complicating the matter was the impeding presidential election. Both candidates were somewhat circumspect in their remarks on the proposal, with neither willing to commit to either voting in favor of or against the bailout.

173. On September 24, Representative Deborah Pryce, a Republican member of the House Financial Services Committee, said of the bailout bill's prospects for approval, "You can't make a move this large without the consent of the American people. And we don't have it yet." (9/24/08 *ABC Nightly News* transcript). This pessimism was hardly a partisan sentiment. That same day, U.S. Senator Sherrod Brown, a Democrat on the Senate Banking Committee, said, "If the vote were today

on Secretary Paulson's package, it would go down resoundingly." (9/24/08 *ABC Nightly News* transcript). Republican Senator Jake Demint echoed Brown's comments, saying that he would oppose the bailout and that, "Secretary Paulson has lost credibility. Everything they've told us so far this year has been wrong." *Id.*

174. Yet on that very same day (9/24/08), Warren Buffett announced that Berkshire Hathaway would purchase $5 billion of Goldman Sachs' common stock, and that he would not have considered the investment were he not confident that Secretary Paulson's proposed bailout bill would receive legislative approval, and that it would pass in substantially the same form in which it was introduced. In Buffett's words, "I am to some effect betting on the fact that the government will do the rational thing and act properly." Buffet referred to the turmoil in the markets as an "economic Pearl Harbor" and urged Congress to act.

175. Mixed opinions such as these were characteristic of the uncertain mood that prevailed throughout this two-week period.

THE SEC COMPLAINT ALLEGING SECURITIES FRAUD BY GE AND GE'S IMMEDIATE SETTLEMENT OF THE COMPLAINT FOR $50,000,000 EVIDENCES DEFENANTS' SCIENTER

176. The U.S. Securities & Exchange Commission ("SEC") filed a complaint against GE alleging securities fraud on August 4, 2009.

177. The SEC Complaint accused GE, acting through high-level GE accounting executives, of orchestrating a two-year long securities fraud by violating Generally Accepted Accounting Principles so as to increase earnings or revenues or to avoid reporting negative financial results. The SEC Complaint sought a permanent injunction against GE prohibiting further violations of the federal securities laws, as well as a civil penalty.

178. On August 4, 2009, GE consented to entry of a judgment against it on the SEC securities fraud complaint.

179. On August 10, 2009, the U.S. District Court entered a consent judgment enjoining GE from violating the federal securities laws and ordered GE to pay a civil penalty of $50,000,000.

THE CREDIBILITY GAP BETWEEN DEFENDANTS' STATEMENTS AND ACTIONS PRECEDING THIS CAUSE OF ACTION EVIDENCES SCIENTER

180. Defendants' proffered excuses for their misstatements cannot be credited because they have consistently issued statements of material fact that were shortly thereafter proven false.

181. In December 2007, Defendant Immelt appeared at GE's Investor Outlook at which he promised investors a minimum of 10% earnings growth. Immelt actually stated: "So in a fluid environment, with a lot going on, what I really want to give investors is a sense that 10% is in the bag."

182. On January 18, 2008, Defendants reiterated earnings per share guidance of at least a 10% increase over 2007 and provided 1Q08 EPS guidance, stating that "[f]or 1Q'08, we expect to achieve continuing EPS of $.50-.53," also up 10% over 1Q07. Later that same day, on GE's 4Q07 earnings call, Immelt reassured investors about the Company's 2008 guidance, stating that "I think our 2008 guidance is solid."

183. With only 18 days remaining in the quarter, on March 12, 2008, GE released its 2007 Annual Report, which included a "Letter to Investors" signed by Immelt. In the letter, Immelt went to great lengths to assure investors that GE understood the unfolding financial crisis and, nonetheless, would achieve the promised 10% earnings increase. In enlarged, bold letters the letter begins:

> Bubbles burst and excess ends in an ugly fashion. The easy credit cycles that defined the recent past have given way to a tidal wave of financial crises. As I am writing, banks have written off almost $150 billion, entire classes of securities have disappeared, and rating agencies have been criticized. This transition – from easy credit to no liquidity – seemed to occur in the blink of an eye.

184. In the same letter, Immelt reaffirmed 2008 EPS guidance by stating, in pertinent part, that "[i]n 2008, we should hit all of our financial goals and outperform the S&P 500. Our revenues should grow by at least 10% to $195 billion, with organic revenue growth at 2 to 3 times GDP growth. Our earnings per share should grow by at least 10%. . . ."

185. On March 13th, CNBC reiterated Immelt's "10% is in the bag" comment: "'Our parent company General Electric looking for profits to rise at least 10% in 2008 vs. an S&P forecast of just 5 to 6.' Chairman and CEO Jeff Immelt's direct quote on the wire '10% is in the bag. We can do this.'"

186. On April 11, GE announced its results for the 1Q08. Surprisingly, GE missed its earnings guidance by a wide margin – delivering an earnings decline of 2%, rather than promised EPS growth of 10%. GE also reduced its earnings guidance for full-year 2008. Investors immediately sold off GE stock causing a 13% decline in GE's share price and wiping out $47 billion in market value.

187. Defendant Sherin proffered the following excuse for GE missing its earning guidance just a few weeks after Immelt had promised "10% is in the bag:"

> **<u>We had planned</u>** for a difficult environment. We had planned for an environment that was going to be challenging, but what I would say is kind of late in the quarter, particularly after the Bear Stearns event, we experienced an extraordinary disruption in our ability to complete asset sales and incurred marks of impairments and this was something that we clearly didn't see until the end of the quarter.

(Emphasis added.)

188. In response to an analyst's question about Immelt's reassurances regarding the 2008 guidance just a few weeks earlier, Immelt admitted that a week before the March 13, 2008 webcast, he "had a chance to review in some detail what the businesses were doing. At that point in time, we still felt like we were on track for the quarter and for the year."

189. But in an interview later that day, Sherin admitted that "[w]e knew we had risks in the middle of March . . . but we also had action plans and activities that <u>if things went our way, we would have been in our guidance</u>. And in the end, not much went our way after the middle of March."

190. In his March 12th letter, Immelt acknowledged the severity of the financial crisis and assured investors that it was no impediment to GE achieving its goals:

> The environment we face today is a challenging one. How will the U.S. consumer respond to falling housing prices? Should we worry about inflation or recession or both? Can the global markets expand while the U.S. contracts? What impact will the U.S. election have? Will banks resume lending money again at normal levels — when, and at what price?
>
> * * *
>
> We plan to deliver in a difficult environment. All the GE leaders understand the environment, and we have been planning for it. We are committed to executing the financial goals I have described in this letter. We don't believe in excuses, and you won't hear any from us.

191. Investors were furious, and analysts were in disbelief. Many analysts immediately downgraded the stock, and openly questioned Immelt's credibility. One analyst compared Immelt to the Wizard of Oz, attempting to create earnings "behind the green curtain" at the end of every quarter.

192. Former CEO Welch was similarly unhappy. He appeared on GE's business network, CNBC and said:

> Here's the screw up: You made a promise that you'd deliver this, and you missed three weeks later. . . . What happened is he got caught and created a credibility issue. . . . I'd be shocked beyond belief, and I'd get a gun out and shoot him if he doesn't make what he promised now.

193. To deflect blame and excuse his own false statements, Immelt claimed he and others at GE were surprised by the "Bear Stearns event" in the middle of March, which made it impossible to achieve their earnings promises during the last two weeks of the quarter.

194. Defendants attempted to use the collapse of Bear Stearns as an excuse for their 1Q08 misstatements, just as they seek cover behind the failure of Washington Mutual and other events in September 2008. Indeed, an integral piece of defendants' fraud had been convincing the market that GE not only understood the "tidal wave of financial crises" but that the Company was different from other financial companies and was "smarter about [GE's] financial services businesses" than its competitors. According to Defendants during the quarter, the financial crises presented "more an opportunity than threat" because they were "poised" to "seize opportunities in the current turmoil and position our financial services businesses for years of profitable growth."

195. In an ironic twist, one analyst checked out the Bear Stearns excuse and determined it does not support GE's theory. According to a report by Bear Stearns analyst Ann Duignan, spreads in the credit markets did in fact spike in the middle of March, but they peaked on the very day the 2007 Annual Report was made available to shareholders and Immelt was giving his "webcast," on March 13, 2008. When Bear Stearns was sold to JP Morgan days later, the markets experienced a "relief rally."

196. And Goldman Sachs analyst Deane Dray was even more blunt, downgrading the stock and saying the magnitude and timing of the miss not only "shake[s] investor confidence," it also "raises credibility concerns for GE."

197. On April 14, 2008 Stern Agee analyst Nicholas Heymann wrote: "Perhaps the most fundamental change is that GE's credibility has been sharply diminished, if not severely compromised."

198. Similarly, on September 25th, Immelt assured investors that GE had nothing to fear from the accelerating turmoil in financial markets; that GE's liquidity and capital base were more than adequate; and that GE had no need and no plans to do any external financing. On September 25th, Defendant Sherin even said that GE was profiting from the higher interest rates caused by market dislocation: "We love the opportunities that we put our capital to work at, at higher margins."

199. On April 17, 2008, *The New York Times* ran a story on page one of the Business Section, pointing out that "[f]or Mr. Immelt, the problem now is not just the earnings disappointment . . . but a looming credibility gap."

200. Defendants' September 25th statement that GE's financial position was strong and no outside equity or debt needed was made on the same day that GE told investors that it would miss its revised 3Q and fully-year 2008 guidance. That was the second earnings miss in 2008. Markets were in turmoil and investors wanted an accurate picture of GE's financial condition. Certainly Defendants were on notice that investors had tired of GE's over-promising and under-delivering in 2008. Defendants should have been overly careful to provide accurate and reliable updated information. Instead, Defendants Immelt and Sherin acted recklessly and once again provided investors false assurances.

201. On October 1st Defendants attempted to lay the blame for their September 25th false statements on the market turmoil, the risks that the bank bail-out might not be enacted and a false perception of a "liquidity issue" at GE. All of these "excuses" existed on September 25th when

Immelt and Sherin issued their false statements. Indeed Defendants September 25th misstatements were a repeat of their September 14th statements that GE's capital base and liquidity were strong and GE had no need or intention of raising any external financing. Defendants' excuses ring hollow in the face of their consistently making inaccurate statements to investors.

202. Defendants have a pattern of making statements that are soon proven false by their actions and subsequent statements. They have also made a habit of blaming their misstatements on unpredictable market conditions. This raises a strong inference that Defendants' September 25th statements were not innocent mistakes; rather Defendants' misstatements evidence conscious misbehavior and recklessness.

CLASS ACTION ALLEGATIONS: FRCP 23

203. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class consisting of all persons who purchased who purchased the common stock and/or call options of GE during the Class Period and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

204. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, GE's securities were actively traded on the NYSE. As of December 31, 2007, GE's outstanding shares of common stock were held by about 608,000 shareowner accounts of record. As of June 27, 2008, there were 9,948,028,000 shares of GE common stock outstanding.

205. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are at least hundreds of members in the proposed Class.

206. Members of the Class may be identified from records maintained by GE or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice customarily used in securities class actions.

207. Plaintiffs' claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

208. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

209. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and financial condition of GE ;

(c) whether Defendants acted with the requisite scienter; and

(d) to what extent the members of the Class have sustained damages and the proper measure of damages.

210. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to redress individually the wrongs done to them. There will be no difficulty in the management of this action as a class action.

Applicability of Presumption of Reliance:
Fraud-on-the-Market Doctrine

211. At all relevant times, the market for GE's common stock was an efficient market for the following reasons, among others:

(a) GE's stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) During the class period, on average, 97 million shares of GE stock were traded on a daily basis, with some days more than three times that amount being traded. This demonstrates a very active and broad market for GE stock and permits a *very strong* presumption of an efficient market;

(c) As a regulated issuer, GE regularly filed with the SEC required public reports at all relevant times;

(d) GE regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

(e) GE was followed by a large number of securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms during the Class Period. Citigroup, Deutsche Bank, Barclays,

UBS and Credit Suisse all employed analysts that followed and issued reports on GE during the Class Period. Each of these reports was publicly available and entered the public marketplace;

(f) There were active market-makers in GE stock at all times during the Class Period; and

(g) Unexpected material news about GE was rapidly reflected in and incorporated into the Company's stock price during the Class Period.

212. As a result of the foregoing, the market for GE's common stock promptly assimilated current information regarding GE from all publicly available sources and reflected such information in GE's stock price. Under these circumstances, all purchasers of GE's common stock during the Class Period suffered similar injury through their purchase of GE's common stock at artificially inflated prices, and thus a presumption of reliance applies.

213. Plaintiffs are also entitled to the Affiliated Ute presumption of reliance to the extent that defendants' statements were materially misleading in failing to disclose material facts about GE that would have caused plaintiffs and the Class not to have purchased GE stock at the artificially inflated prices at which such securities traded during the Class Period.

NO SAFE HARBOR

214. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the

statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of GE who knew that those statements were false when made.

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act Against and Rule 10b-5 Promulgated Thereunder Against All Defendants

215. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

216. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (2) artificially inflate the price of GE securities; and (3) cause Plaintiffs and other members of the Class to purchase and sell GE's securities at artificially inflated and distorted prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

217. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for GE's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5

thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

218. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of GE as specified herein.

219. These Defendants employed devices, schemes and artifices to defraud while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of GE's value and performance and continued substantial growth, which included the making of, or participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about GE and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaging in transactions, practices and a course of business that operated as a fraud and deceit upon the purchasers of GE's securities during the Class Period.

220. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (1) the Individual Defendants were high-level executives, directors, and/or agents at the Company during the Class Period and members of the Company's management team or had control thereof; (2) each of these Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's financial condition; (3) each of these defendants enjoyed significant personal contact and familiarity with the other Defendants and was

advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (4) each of these Defendants was aware of the Company's dissemination to the investing public of information that they knew or recklessly disregarded to be materially false and misleading.

221. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing from the investing public GE's operating condition and future business prospects and supporting the artificially inflated price of its securities. As demonstrated by Defendants' misstatements of the Company's financial condition throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

222. In committing the wrongful acts alleged herein, Defendants have pursued or joined in the pursuit of a common course of conduct and acted in concert with one another in furtherance of their common plan. Each of the Defendants herein was a direct and necessary participant in the wrongs complained of herein. In taking such actions to assist substantially the commission of wrongdoing complained of herein, each Defendant acted with knowledge of the primary wrongdoing, and was aware of his or its overall contribution to and furtherance of the wrongdoing.

223. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of GE's securities was

artificially inflated during the Class Period. In ignorance of the fact that the market price of GE's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired GE securities during the Class Period at artificially high prices and were or will be damaged thereby.

224. At the time of said misrepresentations and omissions, Plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs and the other members of the Class and the marketplace known the truth regarding GE's financial results, which were not disclosed by defendants, Plaintiffs and other members of the Class would not have purchased or otherwise acquired their GE securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices that they paid.

225. The decline in GE's stock price at the end of the Class Period was a direct result of the nature and extent of Defendants' prior misstatements and fraudulent misconduct finally being revealed to investors and to the market. The timing and magnitude of GE's stock price declines negate any inference that the loss suffered by Plaintiffs and other Class Members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to Defendants' fraudulent conduct.

226. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

227. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

228. This action was filed within two years of discovery of the fraud and within five years of Plaintiffs' purchases of securities giving rise to the cause of action.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act Against the Individual Defendants

229. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

230. The Individual Defendants acted as controlling persons of GE within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, agency, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Plaintiffs contend are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to have been misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or to cause the statements to be corrected.

231. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control

or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

232. As set forth above, GE and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint.

233. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

234. This action was filed within two years of discovery of the fraud and within five years of Plaintiffs' purchases of securities giving rise to the cause of action.

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

(a) Determining that this action is a proper class action, designating Plaintiffs as Lead Plaintiff and certifying Plaintiffs as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiffs' counsel as Lead Counsel;

(b) Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

(a) Determining that this action is a proper class action, designating Plaintiffs as Lead Plaintiff and certifying Plaintiffs as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiffs' counsel as Lead Counsel;

(b) Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: December 11, 2009

Respectfully submitted,

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Counsel for Lead Plaintiffs

CERTIFICATE OF SERVICE

I, Laurence Rosen, hereby certify that a copy of the foregoing SECOND AMENDED CLASS ACTION COMPLAINT was served via first class mail in a sealed envelope with postage prepaid thereon, and via email upon the following:

Greg A. Danilow
Paul Dutka
WEIL GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Email: greg.danilow@weil.com
Email: paul.dutka@weil.com

Service was made on the 11th day of December 2009.

New York, New York
Dated: December 11, 2009

Laurence Rosen

Exhibit 1

Seeking Alpha α

General Electric Company Business Update Call Transcript

September 25, 2008 | about stocks: GE

General Electric Company (GE)

Business Update Call

September 25, 2008 8:30 am ET

Executives

Trevor A. Schauenberg - Vice President of Corporate Investor Communications

Jeffrey R. Immelt - Chairman and Chief Executive Officer

Keith S. Sherin - Vice Chairman and Chief Financial Officer

Analysts

Jeff Sprague - Citigroup

Deane Dray - Goldman Sachs

John Inch - Merrill Lynch

Nicole Parent - Credit Suisse

[Bob Cornell] - Barclays Capital

Christopher Glynn - Oppenheimer

Steve Tusa – JPMorgan

Presentation

Operator

Welcome to the General Electric update conference call. (Operator Instructions) I would now like to turn the program over to your host for today’s conference, Trevor Schauenberg, Vice President of Corporate Investor Communications.

Trevor A. Schauenberg

JoAnna Morris and I are please to host today’s call. You have the press release from this morning. The slides that we’ll be walking through are available on our website at www.ge.com/investor. If you don’t see it, please refresh. You can

download or print to follow along.

As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. Those elements can change as the world changes. Please interpret them in that light.

We'll be reviewing the GE press release that went out earlier today and have time for Q&A at the end. Also please note that as the quarter comes to a close, we are entering the quiet period and we will not be able to address all the specifics regarding our third quarter earnings on this call. We will address significantly more detail regarding third quarter on our earnings call on October 10. Today we have our Chairman and CEO, Jeff Immelt, and our Vice Chairman and CFO, Keith Sherin, here to discuss our press release.

Now I'd like to turn it over to our Chairman and CEO, Jeff Immelt.

Jeffrey R. Immelt

In light of the unprecedented market volatility, we thought it was important to give our investors an update on what we're seeing and the proactive steps we're taking to keep the company safe.

First, GE's performing well in a tough environment. Our Industrial segment earnings should be up between 10% and 15% in the quarter, excluding Consumer & Industrial. Our Financial Services earnings will earn in excess of $9 billion in 2008, really dramatically outperforming their peers. And the company remains financially strong. Our total earnings will be approximately $20 billion in 2008.

We think it's important to take proactive steps to be even safer in this environment. Keith will outline with you some dramatic steps we're taking to strengthen the liquidity profile and reduce leverage inside the company, and these are the steps that are expected of a Triple A rated company.

Our GE Capital and Financial Service business model remains strong. We've got a great cost base. We're a senior secured and diversified lender. We're match-funded. We've never been a trader or a market maker. I think the results this year prove that the general framework that we've got for GE Capital remains very strong. We expect to see higher losses in loss provisions and lower gains as the economy evolves.

Lastly, the GE dividend is secure for investors. The Board has approved management's plan to maintain the current dividend through '09 even in these relatively uncertain economic times at $1.24 a share. That's roughly a 5% yield. So really the steps we're taking and that we'll outline today I think strengthen GE for the long term and really improve the overall operations and running of the company.

Keith Sherin

If you look, the next page we'll go through is just a quick update on the environment that we're in.

If you look today on the top left in the Energy infrastructure businesses, we just have continued strong demand. This business is benefiting from the high price of fuel. It's benefiting from the need for more resources to satisfy demand; it's benefiting from the need to improve energy efficiency around the world. And we've got a great global supply chain that's been able to more than offset inflation, which is the one pressure point we see in that portfolio. But the strength of the company today on the Industrial side is certainly driven by energy, and oil and gas, and the other businesses in John Krenicki's area.

And on the Technical Infrastructure side, we continue to see tremendous global growth. We've got a great install base and that give us a nice services aftermarket. We get great customer productivity with our Service Solutions, and they love that. They love that we take the maintenance off their hands and how to manage the equipment off their hands. We give them a predictable cost stream and guaranteed efficiency and productivity.

And on the right side, the negative here, we're watching the airlines. The fact that oil's come down from $140 a barrel down to around $105 has really helped tremendously. But that's the one area that you've got to watch.

On the Media side, we had a tremendous experience in the quarter with the Olympics. I thought the whole NBC team did a fantastic job of showing those Games and using all the different avenues we have to highlight that content. The

cable business continues to be extremely strong. We are seeing pressure in the local ad market like we saw in the second quarter. And clearly the economy, as some sectors of the economy has pressure that hurt some of the national advertising like in the auto segment. But overall they're still performing where we said they were.

And in Financial Services, the positives for us are certainly pricing. Today, when you have capital to put to work, you can get a significant premium to your cost of funds, and you can enter into investments at low risk levels, low loan-to-values, and senior secured positions at high returns. The Triple A is significantly a competitive advantage for us.

We're going through a normal credit cycle here. We've said that. We've got a great portfolio; our measurements and delinquencies and asset quality are all very strong. But as the economy continues to have strain, as consumers have pressure, if delinquencies rise, we're expecting to put up more provisions. We are doing that. That's in our forecast. And we're going to have lower gains from asset sales, and we've said that. And those are a big part of what we're going to talk about today.

So this is a pretty tough environment. I think the long cycle, global nature of our infrastructure business is a fantastic strength we have and a real competitive advantage. And we're taking the steps we need to given the current Financial Services environment.

Jeff mentioned the proactive steps we're taking as a Triple A. This is what investors should expect from a Triple A. We've got unprecedented financial market volatility. And if you look at the last three weeks and the events that have happened in the financial markets, you have to agree they're unprecedented.

It starts three weeks ago with Fannie and Freddie. You end up following that up with significant turmoil in the investment banking world, Lehman Brothers. Then you have problems with AIG. And now you've had the two preeminent investment banks become national, federal bank agencies under the Fed. So this has just been unprecedented the last three weeks. And in an environment like that, we've performed pretty well.

You're going to see the Industrial forecast that we have. They've continued to perform in a very strong manner, driven by the infrastructure businesses, as I said. And Financial Services, we're going to have great relative outperformance, but it is a tough market. And I think at the end of the day when you look at this environment, our conclusion was this is going continue to be challenging. A smaller and more focused Financial Services enterprise in this environment is better for investors.

So the priorities that we have undertaken here in the last few weeks and we're outlining today start with maintaining a strong liquidity position. That starts with our commercial paper programs and our liquidity plans. We have great CP programs. We go direct to investors, so we're not going through brokers. We run the program in 11 currencies.

About two-thirds of the CP business is in the U.S., the rest is global; it's spread across many countries. We have had no issues funding ourselves. Even in the last 10 days where you've had some significant disruptive days, we continue to see a flight to quality. We're funding on average at LIBOR less 25, and usually below the Fed funds rate when you get to the absolute dollar amounts.

So in this environment, though, we think it's prudent to reduce our absolute CP balances. We're going to end the third quarter under $90 billion from over $100 billion of CP at the beginning of the year. I think it's important to recognize that our average maturity is 61 days, so there's quite a spread in the rollover of CP.

We're also going to continue to bring CP lower. We've announced today that our new target is 10% to 15% of the GE Capital debt, which is somewhere around $550 billion, a little below that. So we're going to have another $10 billion or so lower CP balance in the fourth quarter in our current plan that we've outlined for you.

We also have lots of other funding sources. We do have deposits. We have CDs. The deposits and CDs are up to $43 billion at the end of the third quarter. That's up $20 billion since the beginning of the year, and we can take that higher. We've got a tremendous access to other sources here. And with our strong collections and originations management, we've built this plan not needing to issue any long-term debt in the fourth quarter. I think that's just a prudent place to be given the financial markets.

Previously we've communicated that we completed $70 billion of long-term debt out of our total-year plan of around $80, and now we're saying we're done for the year. We may be opportunistic, but we don't need to do any more long-term debt this year.

The second part of the plan is to strengthen the balance sheet. We're cutting the dividend from GE Capital up to GE from 40% to 10%. We've done this previously when we were lowering our CP balances in the early 2000s. That enables us to put more capital into GECS as they continue to grow and with the additional capital and with our mix management in GE Capital, reducing our emphasis on some higher leverage products.

We're going to take the GECC leverage, which is about 7.2 to 1 at the end of third quarter down to 6:1 by the end of 2008. So I don't think there's anything urgent here, but I think this is just a prudent place to be. We've got low leverage. We've got very good asset quality in the portfolio, and we're just going to reduce the leverage over time in a measured way. I think it's a smart thing to do to just strengthen that in a measured way.

At the same time, we're suspending the GE buyback. Through the third quarter, we had repurchased about $3.5 billion of GE stock, but we're going to be able to use that flexibility from our cash flow to be able to continue to strengthen GECS, as I talked about, and also help us just to have a cushion at the Industrial parent, which enables us to be flexible and also participate in M&A that we plan on doing over the next 18 months. So I think that's a good move for flexibility and strengthening GE Capital.

The third piece is to take action to have a smaller, more focused Financial Services business. One thing that's obviously been on investor minds is the size of our commercial real estate portfolio. We have a fantastic real estate portfolio. It's very high quality. The delinquencies on the book are 0.27% of assets, so it's performing very well. But the size is something investors have expressed concern about, and for us it's around $90 billion today. We're going to take that down to below $80 billion in 2009, and we're going to continue to remix the business.

We've put a significant amount of capital to work at very low loan-to-value debt, senior secured debt positions, at great returns. I think that's been a tremendous thing for us to do to take advantage of the market opportunities that we've seen this year. And we're going to continue to de-emphasize equity. We are not underwriting, originating new equity here. We're going to continue to downsize that as we bring this portfolio down under $80 billion.

I mentioned we'll reduce the use of higher-leverage products. I think we use as an example global mortgages on book. I think there's an opportunity here to do less of those, and to free up the capital based on the leverage to do more of the commercial finance activity that is in our core businesses.

So overall, we're going to shrink the portfolio and change the mix. It's not going to be dramatic in terms of asset size. Basically, we're going to take the total assets from somewhere around $680 billion in '08, and it'll probably be somewhere around $650 billion in '09. But you're going to have a big positive mix impact while you also de-emphasize the size of GE Capital.

So this is a proactive approach we've taken. It makes GE even safer. And third quarter is fully funded, and there's no long-term debt issuance required in the fourth quarter, which is a nice, strong statement about our cash flows and liquidity management.

Now, how are we performing in this environment overall? It's obviously a pre-announcement of the quarter. We'll go through all the details on the October 10 conference call, as Trevor said. But here are the themes.

Industrial is delivering solid results. We continue to benefit from our global position. You're going to see the third quarter orders, our estimates today on the long cycle, are going to be over $13 billion, up 10%. That's from incredibly high levels. So we're going to continue to be building a backlog here at very high order levels.

The Services business is as strong as it's been, $9.2 billion of orders, up 14%, great double-digit and good across the board in the portfolio. And as you see, the flow business is down, and really that's driven by appliances. We've continued to experience very tough results in the C&I business, and that's driven by housing and the consumer, obviously, mostly in the U.S. Third quarter performance overall should be excellent, with earnings up 10% to 15%.

And on the right side, if you look at the revised guidance, basically the pressure versus expectations here in Financial Services is driven by the market volatility. As we've said, the last three weeks have been really challenging in capital markets. We love the opportunities that we put our capital to work at, at higher margins.

We're more than recovering any cost of funds increase in the business that we put out. As we said through the second quarter we had about a 45 basis point positive spread over any change in funding rates in our commercial finance business, and that's continued through the third quarter. I'll get the exact numbers as we close the books here.

We're going to have continued relative outperformance. And even with a tougher than expected environment, we're going to earn over $2 billion in our Financial Services business in the third quarter, which is a terrific performance. And the other thing that you may not be aware of, the dispositions do provide us with a lot of flexibility.

We closed our GE Money Japan transaction with Shinsei on September 22, and we have $5.4 billion of proceeds that went in the bank. And we expect to close the GE Money European asset sale with Santander shortly, which will be about $4 billion of net proceeds. So we're outperforming in a tough environment, and we're taking the steps we need to in order to maintain a safe profile.

Next is the revised framework for 2008. On the left side you can see with the revised guidance we expect the total company results to be about $187 billion of revenue, about $20 billion of net income, and on an EPS range that converts to $1.95 to $2.10 a share. On the right side, you can see the split for both the third quarter and the fourth quarter by our Industrial businesses and our Capital Finance business.

We do expect to see continued strong performance in the Industrial businesses, up 10% to 15% in the third and fourth quarter. We expect to see continued pressure in the Capital Finance business, down about 25% in both quarters. And then you can see what that does for the year and for the earnings range, which I've said.

So our Industrial businesses are driven by the business model: global technology positions; great equipment backlogs; and tremendous install base that give us a predictable, high-margin service revenue.

On the Financial Services side, we are going to see an impact, continued impact, from lower gains. Our real estate business is down, as we've said. We previously guided that we'd have about a $1.5 billion to $1.7 billion of earnings in real estate. I would say that we're certainly tiering towards the low end of that guidance today.

And we're going to have higher delinquencies. Especially today we're seeing it in the consumer side, not so much in the commercial side, but we do expect that going forward. And as you have higher delinquencies, we will put up higher provisions. We do have some mark-to-market pressure in the third quarter, and that's been a function of the capital markets and the volatility we've seen.

And at the end of the day, as you go forward, we are going to be a little smaller and a little more focused, not dramatic, as I said, but that will impact the earnings growth profile. And then finally, C&I has been very tough. So we've reframed 2008 to reflect the current environment and total year down to a $1.95 to $2.10 based on that outlook.

So that was our view of 2008, and we're not going to give any guidance today on 2009. But I think we recognize that that is a key question that investors are asking: "Okay, what does this mean for us as you go forward?" I thought, as we put this together, the best way to do it was with a framework for how we're thinking about 2009 and the factors that we think are going to impact us. So if you look at the industrial businesses, we think we're going to have continued strong growth.

The global position we have, there's still an awful lot of infrastructure, economic activity around the world based on commodities and demographics in emerging markets. We have a tremendous infrastructure backlog, over $55 billion of equipment backlog, over $120 billion of service backlog. And so we think with the strength in energy and oil and gas as the primary drivers here, we expect to see double-digit results continue as we go forward.

And then for the financial businesses, I think, it's pretty clear that there are a number of factors here. I think lower assets more focused is probably a drag as you go forward. We certainly expect the credit cycle to continue to be challenging, and as we said, higher delinquencies result in higher loss provisions as you deal with the economic impact in your book. We're getting benefits from pricing, and we're certainly going to have benefits from restructuring and cost-out.

We haven't gone through our detailed business plans obviously, but I think these are the factors you ought to think about. And probably when you look at our range here that we look at as thought for '09 for Financial Services, you have to look that we're going to have slightly tougher comparisons in the first half of '09 versus the current amounts of earnings that we see in these businesses today.

So we're planning for a continued tough environment. I think while we're not giving any '09 guidance, this is the best view based on what we know today. And obviously we're going to talk more at the third quarter call and into the fourth quarter as we prepare for the December outlook meeting.

The last thing I want to cover was a short topic, a couple comments about capital allocation. The benefit of the GE business model is we have really strong financial flexibility because we generate a lot of cash. If you look at our estimates today, based on these revised forecasts, we're going to have over $23 billion of cash from our net income and our working capital management programs and some small amount of dispositions. And that gives us the financial strength to protect our dividend to shareholders. The Board has approved our plan to maintain the dividend at the $0.31 a share per quarter through 2009.

As part of our capital strengthening, we've suspended the buyback to both fund the Financial Services and build a cushion in Industrial. And that leaves us the ability to lower the leverage ratios in GE Capital while also being able to take advantage of M&A opportunities on the Industrial side. So we have more flexibility here. And our growth is funded. We're able to do the capital expenditures we need in the Industrial company which on a company of over $100 billion of industrial revenue is very capital efficient, about $3 billion to $3.5 billion of plant and equipment.

So our 2008 annual dividend remains at the $1.24, and we continue to have really great financial flexibility, driven by we've got tremendous industrial cash flow over top of the Financial Services businesses, which have a very strong position. That protects our investor dividend while at the same time strengthening GE Capital.

So let me turn it back to Jeff.

Jeffrey R. Immelt

Just a couple thoughts as we conclude. The first one is on the portfolio. This is a very strong and valuable company, with 50% of our earnings in really infrastructure-type businesses. These are long-cycle, product and service oriented, deep technology leadership, globally positioned. And I think as we head into the cycle that we're heading into now, these businesses give us very high visibility on success and what we can expect in the next few quarters and years.

Our Media business, NBC Universal, which is 10%, is highly diversified, more globalized, content-based, and I think again very well positioned in the cycle and with some real excellent execution and leadership in that business as well.

And 40% Financial Services, with global origination, diversified risk, and deep domain. This is a business that we think will outperform in this cycle and be well positioned as the economy turns to provide good earnings growth. So we really do like the way the company looks. We think we are very well positioned in this cycle.

The Industrial portfolio is solid. We're playing offense in Financial Services. We'll be smaller, but more profitable, and I think well positioned to capitalize on any market dislocations that can occur. So we like the way the company looks.

So just a recap. Revising third quarter and total year guidance to reflect current financial services market conditions. I think what Keith described, we've never seen really a time of volatility like we've seen in the last month or so. But I think the fact that we're so committed to the dividend and have made that strong commitment, I think shows you the immense confidence we have in the company.

The Industrial business's fundamentals remain strong: Triple A rated; global growth; infrastructure; huge backlogs of both product and service; strong free cash flow; and great service revenues. The Triple A is a key priority for GE. We've always said that we would manage this proactively. That's what we are doing now; that's confirmed by the rating agencies. It helps us have access to the capital markets. It lowers our borrowing costs. It's a validation for both equity and debt investors, and it really does sync up with our operating disciplines on how we run the company.

So we believe we're doing what investors expect from a Triple A rated company. We're maintaining strong liquidity positions by reducing reliance on CP, strengthening balance sheet by reducing leverage and resizing Financial Services to about 40% of the company's earnings. We're running the company for the long term, and we feel like we've really positioned the company to be successful in this cycle.

So Trevor, let me turn it over to you, and we'll take some questions.

Trevor A. Schauenberg

That wraps up our presentation for today. We'll take questions.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jeff Sprague - Citigroup.

Jeff Sprague - Citigroup

But it's unclear really what has driven the revision in GE Capital, whether it's the marks, whether it's the move on provision, whether it's a change in the tax rate. Can you give us any color on that? Obviously the quarter has not closed, but those are some big swingers obviously in the results.

Keith Sherin

I think on the charts we do try and lay that out without specific numbers on the changes from our previous guidance to today, Jeff. But in terms of categories, the largest category that is on the page, we have mark-to-market pressure, we say its $300 million to $500 million in net income pressure. I think that's the biggest change versus the previous expectations.

The categories that we're dealing with in there are mark-to-markets on equity securities and preferred positions we hold in companies that we're having to mark in the quarter. We also have some retained interest from our securitizations that you have to deal with on the mark in there. And then we have the warehouse, where we have assets for sale. We have about a $2.5 billion, $3 billion warehouse. And those get marked to market every quarter, so that's the biggest piece.

We do have some lower gains in the real estate business. Again, we have not closed the quarter and I don't have a number for real estate yet. That's going to have an impact, we anticipate. And then the third category is higher provisions in the quarter, as we have delinquencies in the GE Money business principally. So those are the three things. We'll get the specific numbers, but the biggest piece would be the mark-to-market versus guidance.

Jeff Sprague - Citigroup

So I guess given that this thing that we'll all struggle with is that the hit here in the quarter is really associated with the market disruptions, largely, still doesn't get into maybe what the credit cycle ultimately means for provisions and questions of GE Capital tax rate and things like that.

Can you give us a sense of what you think the provision ratio goes to over the course of the cycle? You characterized it as a normal credit cycle that feels somewhat abnormal obviously how tough things have got. But directionally, any thought on where the provisions actually go?

Keith Sherin

I don't have a specific number for you today. I think in the guidance that we're looking at we're talking about continued pressure on losses in the next year period of another $1 billion after tax across the portfolio could be in those ranges that we talked about, Jeff. So we're already seeing the credit pressure on the consumer side. You're running into levels that you're back to some of the worst economic periods we've had before on delinquencies.

And I think what we would anticipate is that you're going to see more pressure on the commercial side. We haven't seen it yet. We're seeing just slight upticks in delinquencies here and there for specific industries, but I think our expectation is that for 2009, for planning based on this environment, is you're probably going to have additional pressure on the commercial side. And our forecasting obviously has not been good.

The way we've come up with the framework for you to think about it, though, is if you look at what our actual earnings are on a dollar basis, in the second, third, and we'll show you a range for the fourth quarter, I don't know why those would be. We've given you the factors of the plusses and minuses. I think you've got to start with that run rate of where we are today to look going forward, and be able to predict what you think it's going to be. And I think we're going to have higher provisions, and that's the magnitude I think we're going to be seeing.

Jeff Sprague - Citigroup

Jeff, is the idea of any new equity still off the table? Someone like a Mubadala all the sudden does some new equity as

opposed to buying the stock in the new market. Is that type of thing open for discussion in any type of permutation? Maybe not just them but others?

Jeffrey R. Immelt

Jeff, we just don't see it right now. Again, we feel very secure about how the funding looks and the strength of the company and the strength of the balance sheet. Cash flows are great. The liquidity profile has been strong; it's now stronger. Leverage is better. And so we really believe in our business model and feel secure that we're well-positioned here.

Operator

Your next question comes from Deane Dray - Goldman Sachs.

Deane Dray - Goldman Sachs

The idea is if we've got a $0.05 range for the third quarter, $0.43 to $0.48, could you just give us a sense of what assumptions you're making that you would hit the low end of the range versus the high end of the range? We got a week to go in the quarter I know that a lot of transactions are pending. But just to give us a sense of what might take you to either the higher or lower end?

Keith Sherin

I think the higher end of the range comes from actually closing all the transactions that are currently in process and not having any surprises in mark-to-markets in the close or at the end of the quarter. The low end of the range says nothing that we're contemplating in the next couple of days and it also has a little room for any volatility, unforeseen volatility that we don't expect in the close.

So we have a significant amount of real estate transactions still to go. We have to see what equity markets do. They create volatility in the mark-to-markets on that portfolio, and we go through. We actually don't do our marks on whether its commodities or some currency issues in the company that they don't get done until after you get through the end of the quarter.

So I think we've tried to give ourselves protection against nothing happening that we think is going to happen in the next couple of days, and an unforeseen thing happening over the weekend and in next week as we consolidate and close. That's why we've put the range together the way we did it, Deane.

Deane Dray - Goldman Sachs

And then just to clarify on the funding outlook near term. That was clear that you don't need any further funding in 2008. Ten days ago, you had said you had done $70 billion of an expected $80 billion. How about the idea of pre-funding some of the obligations in 2009 and how aggressive might you be over the near term?

Keith Sherin

I think right now what we've planned on for 2008 is that we do not need to do any long-term debt based on what we have here, and I think that's a prudent way to think about it because of some of the choppiness in the debt markets. For 2009, we built this plan. We have $67 billion of long-term debts, maturities, in GE Capital next year. And the base plan is built on being able to redo about $60 billion of that. But if things are a little worse, we can manage our collections and originations and do significantly less than that.

And if things are better, we wouldn't anticipate going above the $60 billion right now, because that's in balance for us right now on being able to bring our CP down to that 10% to 15% range, and also not needing to even issue all the same amount of debt as what matures next year. So I think we've got a conservative plan we put together here, and we're prepared. If it were tougher in the long-term debt markets, we don't need to do anywhere near that amount in next year if we had to.

Operator

Your next question comes from John Inch - Merrill Lynch.

John Inch - Merrill Lynch

In the short term, Keith, are you going to be tapping any of your backstop? I think you've got about $62 billion of bank lending facilities. Does any of that get tapped based on the disruption of CP markets?

Keith Sherin

Absolutely not, if you look how do we run the place? We've got a commercial paper program that's broad and deep. The commercial paper market is $1.6 trillion. And if you look at our 61-day maturities, you really don't have any near term pressure of any magnitude. We have about $15 billion of cash liquidity that we keep in GE Capital, and that you can see on the balance sheet at the end of second quarter.

We have over $20 billion of marketable securities with a significant piece of that pool that we can obviously repo if necessary. We have tremendous collections flexibility here. We have $120 billion of committed maturities in the next 12 months out of our loans and leases. And finally, we have $650 billion of assets, and we have securitization platforms on every single asset class, real estate, aircraft, commercial loans and leases, credit cards. And that's not a source of liquidity today, but obviously if it had to be you could that.

And then finally as you mentioned, we do have $62 billion of bank lines, we have over 70 institutions in there. They're all Double A or better, there are no MAC clauses, but we absolutely do not have any anticipation that we would be using those.

John Inch - Merrill Lynch

Keith if you look at provisions within commercial finance, can you remind us again where they are today as a percent of loans? And if you were to, say, look at prior recessions, where would they have to go based on that assessment or analysis? And maybe what's different about the commercial book versus other recessions?

Keith Sherin

I'm going to defer that to the earnings call, because I don't have the provision numbers for the third quarter. We don't have the balance sheet. And I've got to defer that if I can, John. And I'll tell you what we will cover it on the earnings call for sure on the 10th. I just want to give you good data.

John Inch - Merrill Lynch

Have the circumstances, Jeff, caused you to perhaps rethink or consider the prospects of spinning out GE Capital? Or would it be just too complicated a transaction? Or how are you thinking about that?

Jeffrey R. Immelt

There's clearly a lot going on in the financial markets and stuff like that. But I think if you step back, there's always going to be a place for a very disciplined and well-run financial company, which is what GE Capital is. We have excellent cost of funds. We have 10,000 originators. We originate to our own balance sheet.

Through this cycle where banks, investment banks, have written off more than $500 billion, we haven't had exposure to any of these things. And so fundamentally, we're going to go through ups and downs, and we think that Triple A is incredibly important. But we believe that the structure of GE Capital remains very strong. And at the end of the day, earning $9 billion in Financial Services this year is a pretty good proof statement of that.

Keith Sherin

I think we're at a period here where Financial Services obviously isn't in vogue. But it's such a substantial part of this economy and the global economy, and it's going to come back. And people need access to capital, and we provide that. And I think we've got competitively advantaged positions, and this cycle isn't going to last forever. I think this is a hell of a set of businesses with good competitive positions.

Operator

Your next question comes from Nicole Parent - Credit Suisse.

Nicole Parent - Credit Suisse

I just wanted to clarify the $300 to $500 million in mark-to-market pressure, that's over and above the $270 million that you booked in the first quarter?

Keith Sherin

Yes, they're different periods and different marks, yes.

Nicole Parent - Credit Suisse

With respect to the preferred positions that you mentioned in response to Jeff's question, we still have FGIC preferred sitting out there. Should we expect an impairment charge to come in the third quarter?

Keith Sherin

That's possible.

Nicole Parent - Credit Suisse

Do we have any color in terms of where non-performers are up, delinquencies, and then maybe comparisons between U.S. versus international and what your view is for the international markets given the spillover from the U.S.?

Keith Sherin

Yes, we'll give you all that at the earnings call. Again, I don't have that as we haven't even closed yet. But what we're seeing is we're seeing a continued uptick in the delinquencies on the consumer side and a slight uptick on the commercial side. On the global side it's in the secured mortgages on the money portfolio as the themes of what you're going to see in the next two weeks.

Nicole Parent - Credit Suisse

And any update or should we wait for the quarter in terms of investment securities with CMBS, investment securities by monolines, just unrealized losses?

Keith Sherin

Yes, I'd wait till the quarter. I don't have those yet. I don't think there's been a dramatic change on that line, but I'd wait till the quarter. I do not have those marks yet, Nicole.

Nicole Parent - Credit Suisse

I thought it was interesting, you talked about resizing GE to be back to 60-40 industrial-financial. Given the C&I either spin or sale, modest asset sales, could you maybe update us when you think about timing of private label credit card, timing of C&I? What else might be on that list? Because I think when you articulated the asset movement '08 to '09, it didn't seem that huge.

Keith Sherin

Well, you're right. I think right now we're still working on the C&I spin. We said that would be in the first half of next year, we don't have any change to that.

On PLCC, clearly we said in the second quarter call that it was a challenging environment to find someone who wanted to take responsibility for there's over $30 billion of assets in the private label credit card. That hasn't gotten any better in the last three weeks, I can tell you. So our plan is based on we're going to run that. We have the ability to run it. It is a good business.

And over time we're looking at other options, but I think that right now we don't anticipate that we would be selling that to one party in one transaction. I think there may be other ways for us to downsize it and combine it with our retail sales finance business and run it as we go forward here until you get to a different period where someone may have more capacity to be able to take some of those books, take the whole portfolio possibly. So our plan is built on continuing to have PLCC right now, and we're still looking at our options, Nicole.

Operator

Your next question comes from [Bob Cornell] - Barclays Capital.

[Bob Cornell] - Barclays Capital

When you went through the difference between the new guidance and the prior guidance, you touched on the marks and the provision and so forth, lower real estate gains. You didn't mention much in the way of differential prospect on the Industrial side. So how much of the revised guidance is Financial Services related, and you mentioned C&I obviously, but how much of the difference in guidance is Industrial?

Keith Sherin

I think this is substantially all Financial Services. C&I is a pressure point, certainly on the Industrial. Ex C&I, we're pretty close to the ranges of what we gave you before. This is a story about Financial Services taking us out of our previous range.

Jeffrey R. Immelt

Bob, if you just look just at the order rates we're expecting in the infrastructure businesses in Q3, off of some fairly substantial growth in the past, that service order is up double-digit and equipment order is up double-digit. It says there's still decent strength there.

[Bob Cornell] - Barclays Capital

You gave a pretty broad range for capital finance for next year, and I understand that the quarter hasn't even closed yet. I heard the comment about you haven't put the marks to bed fully yet, but you have a pretty broad range of down 10, down 30. Could you go into a little more color with regard to just the thinking around that range? You don't have on the list of impact factors further mark-to-markets. You will have had this year somewhere in the $600 million, $700 million this year. So maybe a just a little more of the thinking, understanding that it's preliminary with more to come?

Keith Sherin

Well, I'll go through the factors again. I think the starting point that if I were a financial analyst looking at these results, I'd say what are the actuals that this business is delivering today? And we're somewhere around $2 billion of earnings. And that does include some pressure from mark-to-markets. I don't think all those repeat, but I don't think it'd be prudent for us to plan 2009 without having some room for mark-to-markets or impairments.

Clearly, I think on a credit cycle basis, you're going to have additional pressure. We're planning for higher provisions, and we're expecting higher delinquencies. Based on the outlook we see, I think that's a prudent thing for us to be doing. I think in terms of the shrinking and downsizing a little of the GE Capital, I think that does have some impact on earnings. As I said, in terms of absolute dollars, it's not dramatic, but you're probably going to see a mix shift from some of the global consumer higher leverage assets into some of the more commercial core assets. And then finally, you're going to get a benefit from the pricing on the new business that we put in.

In terms of the swing, that's probably still being pressured by the run off of very high margin business, on a five-year average portfolio duration across the capital assets. We're still seeing an offset to some of that pricing from runoff of high volume business that gets to the end of its term. Then you got a benefit from restructuring and cost-out, which we

haven't finalized in any way, shape, or form.

So I'd start with what are the actual earnings of this business today and what are these factors? I look at the first half of 2008. It obviously wasn't perfect, but it was at higher levels than what we're seeing today. And that's how you end up with, if things are better, right now basically this would at the low end of the range, you'd assume you didn't sell any real estate. At the high end of the range, you'd assume you had capital markets open up again you were able to sell real estate properties at a gain.

Low end to high end is a difference in how do you feel about the economy and the credit cycle? I think that gives you a pretty broad range. So those are the factors today, Bob. I think we're pre-announcing the third quarter. We haven't gone through any of our normal planning cycle for the business commitments for next year, but obviously clearly we've spend a lot of time with Mike Neal and his team to put together what we see as the framework for the environment we see today.

Operator

Your next question comes from Christopher Glynn - Oppenheimer.

Christopher Glynn - Oppenheimer

Just maybe a comment on what specifically the change at the margin is lately on the originations front? And what are you telling your team of 10,000 originators out there?

Keith Sherin

Today, we continue to see in the commercial side around 40 basis points improvement on the net margin over the cost of funds. We have done a lot of pricing across the businesses through the second quarter and into the third quarter. We're telling our originators that the asset growth is up 18% through the second quarter on a business that has its own generated capital to probably grow about 12%.

That we've done tremendous deals, we've taken advantage of the marketplace. We were able to close the CitiCapital deal and the Merrill Lynch deal. And that we're going to make sure we're self-funded through the rest of the year. We're prioritizing the core leases and loans, as I said, the verticals. And we're de-emphasizing some of the higher leverage products, like global mortgages.

So we're being very targeted with our underwriters. We have a lot of great long-term customer relationships, and we are in business. We're going to underwrite and originate over $40 billion in the fourth quarter, and we're just going to be very focused about how we do it. And we're going to make sure that we're getting a good return on every dollar of capital we put out.

Christopher Glynn - Oppenheimer

And then on the framework front that was really helpful for '09 just from what you see here, a very loose answer is fine. But some of the frameworks into 2010 in terms of the timing of the run-off of the volume business and the higher spread business, assuming that things return to normal on the macro level?

Jeffrey R. Immelt

Chris, looking out there, you got to like our Industrial businesses, with big backlogs, strong competitive positions, well-positioned globally. I think if you think about the company in '10, which is really just Infrastructure and Media. And then, look, Financial Services is going to return at some point. And if history is framework for the future, typically as these things evolve, Financial Services comes back in a very robust way.

And we'll have the opportunity to play in some distress deals and things like that. And that ought to be good when you look at the future. But again, I think the of your nature question is, we run the company for the long term, we run company to play through these cycles, we run the company to be able to be safe and secure, and we think that's what we're all about.

Operator

Your last question comes from Steve Tusa – JPMorgan.

Steve Tusa – JPMorgan

Is there anything technical that keeps you from splitting up these businesses and getting rid of a larger percentage of GE Capital? And not just in tax leakage and that kind of value destruction, but is there anything technical here that wouldn't allow GE Capital to run on its own as a standalone entity?

Keith Sherin

I think technically obviously that's a transaction that you could probably put together. I think it would be tremendously complex and take a significant amount of time, but I don't think there's any technical impediment. I think you have got to think realistically about with the state of capital markets, the amount of capital required to have that business operate on its own, and just generally the complexity of doing something like that.

But I think we go back to strategy, I think, Steve, first, which is, as Jeff said, we've got competitively advantaged positions, significant positions in sectors of the financial services industry that are very strong, and we like them. I think these are businesses you want us to be in. And we're going to continue to provide capital to those businesses.

And financial services is not going to be out of favor forever. It's a significant part of the economy, and we've just got to work our way from here to there. So I don't think that the answer to it is there's anything really technical. I'd say it would be one of the most complicated things I could imagine doing. And it's not something we're working on.

Steve Tusa – JPMorgan

And then resizing the Financial Services business, the 40%. I don't know if you gave specifics around that. Is that just because it's not growing, or it's declining, or is there something else, some other transaction explicit in moving that percentage down?

Keith Sherin

No, we're not counting on some sale or something. I think if you just do the math, though, we continue to have very strong Industrial earnings growth. And the forecast that we have for Financial unfortunately we're getting to the 60-40 based on Financial becoming a smaller part because of its earnings profile, not because we've sold some big piece or anything like that. I think it's a better place for us to be strategically, but it's not based on some assumption of any disposition that would materially change the GECS profile.

Steve Tusa – JPMorgan

Could you give a little more specifics around provisioning? What are you assuming for a year-over-year increase in provisioning for this year? And then how do we think about that, the dynamics and provisioning for next year?

Keith Sherin

I mentioned some factors about it. But I think we've deferred most of that to the earnings call, Steve, and I think we'll give you a good view of where we are in the businesses and what previous ranges are based on other economic cycles and delinquencies and what the range could be. And we've tried to assume in our range that we showed you in our framework for '09 that we've got quite a spread there based on things staying the way they are or things getting worse.

Steve Tusa – JPMorgan

The private label credit card is that in the guidance or is that out of the guidance?

Keith Sherin

It is in the guidance. We did mention that right now our plan assumes that we're going to continue to run that. We are still looking at some strategic options, but it's in the guidance that we're going to run that.

Operator

And there are no further questions at this time.

Trevor A. Schauenberg

I'm glad we were able to cover everyone's question at this time. I'd like to thank everyone for their time today and remind you that the materials will be available on our site all day. The replay will be available this afternoon, and as always Joanna and I will be available to take your questions. Thank you.

Exhibit 2

Seeking Alpha$^{\alpha}$

General Electric Company Q3 2008 Earnings Call Transcript

October 10, 2008 | about stocks: GE

General Electric Company (GE)

Q3 2008 Earnings Call

October 10, 2008 8:30 am ET

Executives

Trevor Schauenberg – VP, Investor Communications

Jeff Immelt - Chairman and CEO

Keith Sherin - Vice Chairman and CFO

Analysts

Bob Cornell – Barclays Capital

Scott Davis - Morgan Stanley

Deane Dray - Goldman Sachs

Christopher Glynn - Oppenheimer

Nicole Parent - Credit Suisse

John Inch - Merrill Lynch

Jeff Sprague – Citi Investment

Steve Tusa - JP Morgan

Nigel Coe - Deutsche Bank

Presentation

Operator

Welcome to the General Electric third quarter 2008 earnings conference call. (Operator Instructions) I would now like to turn the program over to your host for today’s conference Trevor Schauenberg, VP of Investor Communications.

Trevor Schauenberg

Joanna Morse and I are pleased to host today's call. Hopefully you have the press release from earlier this morning and the slides we'll be walking through are available on our website at www.GE.com. If you don't see it please refresh, you can download or print to follow along. As always elements of this presentation are forward looking and are based on our best view of the world and our businesses as we see them today. Those elements can change as the world changes. Please interpret them in that light.

We will be reviewing the GE press release that went out earlier today and have time for Q&A at the end. For today's webcast we have our Chairman and CEO, Jeff Immelt, and our Vice Chairman and CFO, Keith Sherin.

Now I'd like to turn it over to our Chairman and CEO, Jeff Immelt.

Jeff Immelt

On the overview page clearly to everyone the environment remains very volatile. The global financial system is tough. We see consumer confidence falling, unemployment up again last week but we still see pockets of strength in infrastructure and media and we see that in both orders and our relative performance.

The performance we announced this morning is completely in line with what we talked about at the September 25th announcement. At that time we really put out three guideposts if you will. We said Financial Service earnings would be about $2 billion they came in at $2 billion. We said that Infrastructure/media segment earnings would grow between 10% and 15% and they grew at 12%. We said we would deliver earnings in the range of $0.43 to $0.48 and we delivered $4.5 billion or $0.45 of continuing earnings. We view this performance to be right in line with that announcement.

We've also taken a lot of actions so we'll go through in more detail to improve our capital finance position. Reducing leverage and improving liquidity and raising new equity at the parent. We really think the company is well positioned to perform regardless in whatever economic environment that we see in the future.

On the second page, really talk about our strategy. We continue to execute despite the environment from a portfolio standpoint we're able to complete several transactions in the quarter including the sale of GE Money in Japan. We continue to work on our swap of Santander. We're running PLCC to hold but we'll continue to evaluate options. We closed the Citi Commercial Finance deal which will add to earnings and has already started that in 2008.

We announced a partnership with Mubadala and closed the Weather Channel investment. Our C&I spend process is still ongoing and we still believe we'll have several options for that business.

From an operational standpoint, we continue to restructure to improve our cost position. Our cash performance was very strong in the quarter with Industrial CFOA growing 5% year to date. NBCU had its first double digit profit growth in three years.

I think our growth was particularly impressive in this environment. Our industrial organic growth was up 10% that's one of the highest numbers we've had in the last few years. The total orders excluding C&I were up 9%. We grew backlog in both equipment and services by more than 25%. Our global industrial growth grew 20% and we believe that the Beijing Olympics were a huge success. All in all we end the third quarter with $170 billion of backlog and infrastructure. We think that's quite a good performance to have in the quarter.

On the next page we've done a lot of work in the last couple weeks to risk reduce the company which we think is just the sound way to run the company in the midst of all the financial turmoil we're seeing. I want to just walk our investors through that this morning. I think it begins with just the fact that we've got a stronger company today. We've exited some weaker industrial business. We've dramatically improved the industrial portfolio and infrastructure and media over the last few years and we think that is strategically very important.

We've diversified globally over the last few years and today 55% of our revenue comes outside the United States. We've divested Mortgage Services, FGIC, the bond insurance business, primary insurance, mortgage insurance, re-insurance, mortgage distribution and our Japan consumer finance business which we really think strengthens our Financial Service position.

What we talked about on September 25th was proactively protecting the Triple A. We're on that pathway to reduce leverage to 6:1 by then end of '09 and the CP to 10% to 15% of debt will occur by the end of '08. We won't require any long term debt in fourth quarter '08. Our collections are outpacing our origination right now and we've growth our retail deposits up to $43 billion which again we think is another important funding source.

We accelerated our liquidity plan and we have clear protection now if the CP market remains under duress we really see the CP market improving right now. We've had no problems with our own CP but I think we just taken this issue off the table for investors. The $15 billion equity offering gave us more cash and now the back up lines plus cash are greater than CP.

We believe that the moves of the Federal Reserve made to make a window available for A-1/P-1CP gives the whole industry protection if the market shuts and we think that's good for the entire market. We continue to increase our reserves to reflect a higher loss environment. Our reserves are up $800 million and Capital Finance versus third quarter '07 and we're planning for more in the fourth quarter and '09.

We really believe we've aggressively risk reduce the company in this volatile market and our Board had approved the management plan to maintain the GE dividend through 2009. We think that gives our investors some real strength looking at the current markets.

To tee up the third quarter key performance metrics then I'll turn it over to Keith. The growth continued to be a pretty solid performance. Orders up 9% ex. C&I, revenues up 11% and assets up 11%. Our earnings per share at $0.45 continuing. We're in line with what we talked about on September 25th. Our returns are solid a little bit weaker because of Financial Service earnings. Our margins, if you take out C&I but more importantly the Olympics. The Olympics were a lot of revenue without a lot of margin are roughly flat year over year in the infrastructure space.

Our cash performance, as I said, is very strong. It should continue that way throughout the rest of the year. We think this is a good in line solid performance in a very tough environment.

Now I'll turn it over to Keith for detail.

Keith Sherin

Let me start with the third quarter results on the left side is the summary of continuing operations. We obviously had a very strong top line quarter driven by our Industrial businesses; revenues of $47 billion were up 11%. Industrial sales of $28.9 billion were up 17%. Financial Services revenue of $18 billion were up 2%.

We earned $4.5 billion of net income which was down 12% and on earnings per share we delivered the $0.45 from continuing which was down 10%. On net earnings per share which includes discontinued operations we delivered $0.43 the negative variances because if you remember last year we had the plastics gain in discontinued ops and obviously we didn't have any comparable to that this year in disc ops.

Cash flow, I'll cover more in a few pages. Jeff mentioned Industrial cash flow up 5% a very good performance year to date. In the quarter the consolidated rate came in at 11% which was flat with last year. On a consolidated basis there's no change. The GE rate came in higher at 29% that's up about four points and the GECS rate came in negative 29% in third quarter and that's largely a result of revising our GECS earnings down for the year.

That's resulted in a seven point decline in our total year rate for GECS, our estimate is now negative 4% for the year and that drove the negative 30% in the third quarter. For the total year our guidance is now a rate of approximately 15% and that's in line with our rate for the third quarter.

On the right side you can see the business results. We had real strength in the Energy Infrastructure segment. I'm going to go through all the details of these in few pages. We were slightly below expectations in Technology Infrastructure but still earned $1.9 billion up 2%. We're above expectations in NBC double digit quarter as Jeff said. Overall Industrial ex. C&I was up 12%.

Capital Finance earned slightly over $2 billion and C&I had another challenging quarter based on what they're seeing and housing and retail. The results are completely in line with our pre-announcement that we made the 25th.

Next is Orders, we've revised this page to include the orders in Energy Infrastructure and Technology Infrastructure and

I'll talk about flow in a minute. On the left side is equipment for the quarter. We had $13.5 billion of orders, it's up 5%. I always say the orders are lumpy on a quarterly basis and that continues to be true. Clearly the Energy business had another great quarter up 21% driven by wind and aero-derivatives. I'll cover more details on those on the business pages.

Oil and Gas was down slightly. We had some slippage. Aviation very strong military orders and again tough comparisons there really sold out based on the backlogs at Airbus and Boeing. Transportation also had some tough comparisons versus some big orders they had last year. As I go through the business pages I'll do some more on orders. We did see some slippage versus our earlier 3Q estimate in both Oil, Gas and Healthcare so there's some timing here. Overall these are very strong absolute orders level and our backlog was up $8.5 billion versus a year ago.

On the right side you can see Services. In the quarter we had $9.3 billion of orders that's up 16% and it's just broad based across all our businesses; Energy, Aviation, Healthcare, very strong Transportation, very strong. We ended the quarter with $116 billion of customized service agreement backlog which is a great asset for us.

Flow orders are not on the page, however, C&I had about $2.5 billion of orders and that was down about 5% in the quarter. Overall Infrastructure orders $23 billion up 9%, great Services orders, a great backlog position including Equipment and Services the order were up $28 billion in the last 12 months up 20%.

Let me start with Energy Infrastructure, the business had a great quarter. Revenues of $9.8 billion were up 32%. Segment profit of $1.4 billion was up 31%. Let me start with Energy, Energy revenues of $7.4 billion were up 38% and you can see the segment profit was up 36%. Energy just continues to see incredibly strong global markets.

If you look at orders for Energy the total orders of $7.9 billion they were up18%. Equipment orders were up 21%. Thermal orders were basically flat at $2 billion. We received orders for 33 gas turbines including seven in the US in the quarter. Wind orders were up 50% to $2.3 billion and today our wind commitments are $14 billion it's up 90% from a year ago.

Aero orders were up 73%, Jenbacher orders were up 50%. Nuclear orders were down, we didn't have a repeat of last years Entergy order and service orders were up 14% so very broad strength in our global markets. The total equipment backlog now is $24.9 billion up 36% from year ago and orders pricing was up 8% for equipment and 4% for services in the quarter.

Revenues were up 38% that's driven by the Equipment revenue. Equipment revenue was up 61% and Service revenue was up 10%. You get mix issue here in terms of margin but great, great growth in the install base. Thermal was up 66%. We had five more gas turbines and better mix. Wind was up 70%. We delivered over 1,000 units in the quarter and that was up over 340 units. That drove the segment profit up 36% coming from the great wind and gas turbine volume.

If you look at Oil & Gas they had a very strong quarter, the total orders at $2.1 billion were up 4% that was driven by Services which was up 36%. Equipment was down 12%. The backlog is very strong at $8.4 billion up 19% and revenues were up 11% driven by the Services growth up 27% and [inaudible] also up 5%. Op profit was up 29%. This comes from the great services leverage here as a business that had more services revenue than equipment and eight points of the growth is from the Hydro acquisition which is off to a great start.

If you look overall, the Energy Infrastructure business had just a very strong backlog position driven by incredibly broad global demand.

Next is Technology Infrastructure. Revenues of $11.5 billion were up 9% and segment profit of $1.9 billion was up 2%. You can see the business results on the bottom left side of the page and let me start with Aviation. Revenues of $4.8 billion were up 14% and segment profit of $830 million was up 13%. Orders in the quarter were $5.6 billion still up 1% and with the airframe manufacturers basically sold out into 2011 or 2012 we expect Aviation orders to cool off here.

Equipment orders were $2.9 billion still a great level down 8%. Service orders were $2.7 billion were up 15%. Even with the equipment order being down we still added to our backlog because of the large absolute level of orders that we're getting here. Revenues in the business were up 14% and that's driven by equipment revenues up 27%. We ship 539 commercial engines up 15% and 184 military engines up 67%.

Services revenues were up 3% for the quarter driven by spare parts sales which were up 11% offset by services adjustments for aircraft utilization. If you look at segment profit that was up 13% again driven by strong engine volume

and productivity partially offset by the lower services margin. We were impacted about $65 million from the fleet adjustments that we discussed in the second quarter call were Airframers, airlines are using aircraft differently and reducing some of their fleet and that had us to a tune of about $65 million pre-tax in the quarter.

The next business here is Healthcare and if you look, Healthcare had revenues up 3% and segment profit down 8%. The results were impacted by last years revenue recognition adjustment we footnoted that here without the impact of the shipment changing our revenue recognition to delivery point from shipment the segment profit would have been down about 1%. Orders were up 9%, Global DI was up 5% so again pretty good strong growth internationally. DI was up 15% partially offset by the US orders down about 6%.

If you look, services were up 8% in Healthcare which was a nice, again broad cash flow stream for us. Overall revenue in the quarter was up 3% that was driven by equipment being up 1%. Again it's the same as the mix of orders. International was up 20%, Europe was up 20%, Asia was up 12% and Americas was down again. We continue to see softness in the US Healthcare market it started last year in 2007 with the reimbursement changes. It's continued with the general hospital CapEx program caution given both the hospital markets and also some pressure that we see in capital markets.

Overall, revenue was about $200 million short of our original guidance for Q2 and as a result the op profit for Healthcare was down 8%, down 1% after the AK impact but we do continue to see price pressure here and we see great strong international market growth only partially offsetting the pressure that we see in the US market.

Finally in Tech Infrastructure Transportation, revenues of $1.2 billion were up 13% and op profit was up 1%. We had very strong orders growth $1 billion of orders were up 6% that was driven by services up 34%. Equipment orders were down $150 million driven by fewer locomotives partially offset by a very strong growth continues in off highway vehicles the orders were up 300% and we still ended the quarter with over 1,900 units in the backlog.

Revenues were up 13% that was driven by global locomotive line. We're up two times on global locomotive to 78 units in the quarter and off highway vehicles revenue was up 21% and service revenue was up 9%, a good global story and a good service story. Op profit was up 1%. We are getting the benefits of the higher volume but that was substantially offset by the global growth investments we're making.

It is about $25 million that we have put into the business supporting new engineering for marine engines, for Indian and European locomotives that we're working on orders as well as expanding some capacity. Overall a mixed environment in Technology Infrastructure but segment profits still up 2%.

NBCU is next, they had a very strong quarter, revenues of $5 billion up 35% clearly revenues include a little over $1 billion of Olympic revenue so excluding Olympics revenue the revenue would have been up about 8%. That's driven by a strong film slate, strong cable revenue, partially offset by lower local station revenue. The segment profit came in at $645 million up 10% that was again driven by strong results in cable, the network and film partially offset by the Olympics in the quarter. The Olympics were actually a loss in the quarter that you present them.

Starting on the left side, the Network was about flat in revenue and down about 5% in segment profit 'x' the Olympics. We had strong profit growth in Entertainment driven by positive pricing and lower costs so making sure that we're making margin on what we put on the air. News remains number one across the board with Today, Meet the Press and Nightly. We are seeing continued softness in the local media that was down about $40 million.

On the Entertainment & Info. Cable a great story continues here. Cable continued to deliver great results. The segment profit was up 24% and it's coming from both Entertainment and Information Cable. USA was number one for the ninth straight quarter with a great lead over number two. Bravo and USA were both up 20% in the quarter. MSNBC had another great quarter, the fastest growing news channel in primetime driven by politics. CNBC had a very strong quarter. We may not like the message but the content delivery has obviously been strong and that's the best performance ever in business day total viewers.

On the right side, Film had a great third quarter, segment profit was up 40%. We did have the benefit of timing of some of the advertising and promotion for the third quarter movies fell in the second quarter but we also had great box office success. One example is Mamma Mia which has grossed over $500 million worldwide and is on track to be the best performing Universal Studios movie ever. The Parks, flat in the quarter but still at a very high level. We saw higher spending offset some attendance softness in both California and Florida.

Finally, the Olympics performance was a great job by the team. It was the most watched Olympics in history and ratings

exceeded the pre-event estimates by over 20%. Overall a very strong quarter for NBC and the eighth consecutive quarter of earnings growth and back to double digit which is terrific.

One page on Industrial Operations, the left side is the operating profit. Clearly the reported results are down. We've got a 13.7% margin in the quarter and there are really two big impacts. If you adjust for the Olympics which is a lot of revenue and negative margin in the quarter and you also adjust for the drag from C&I which is just having a very tough cycle here. The op profit on the rest of the businesses were flat for the quarter.

The dynamics continue to be driven by shipping more equipment than services if you look at the total Infrastructure businesses we shipped 2 ½ times the revenue from equipment which only 2 ½ times faster than services revenue was up 25% for equipment and 10% for services. We partially offset that mix impact which is again a good news story because we're building and install base with productivity and we're pricing ahead of inflation.

On the right side is the Industrial CFOA, we delivered $11.3 billion of CFOA which is our industrial net income plus deprecation plus we have $2 billion of additional cash from working capital and that's while supporting 15% Industrial growth third quarter year to date. Our third quarter '08 working capital turnover is over 18 times today versus 10 times in 2004.

Finally, we continue to use lean everywhere in our factories to make sure we're driving down cycle times and help us to be more efficient on that. We continue to operate with intensity in a tough environment and we're focused on making sure we're pricing ahead of inflation and delivering cash.

The cash in total for the company on the next page is $13.6 billion at CFOA. Overall the cash is down because we don't have any special dividends from insurance dispositions this year but we do have the Industrial CFOA up 5% through three quarters and I just went through those details. On the right side is the normal cash balance walk.

You start; add the cash flow that we have year to date to the beginning balance less the dividends we paid year to date. We repurchased $2 billion of stock so far this year and our plant and equipment reinvestment so far this year has been $2.3 billion. We've closed a few acquisitions; Hydro and Whatman and we closed the Weather Channel in the third quarter. We ended the quarter with $3.5 billion of debt now.

With the cash raise we'll have an additional $15 billion of cash and we're on track for the total year Industrial CFOA of $17 billion in total CFOA of about $19.5 billion.

Next is Capital Finance and as you know beginning in the third quarter we put money together with Commercial Finance and we put the verticals GECAS and Energy Financial Services back into Capital Finance so you get a full look at the Financial Services businesses here. In the third quarter Capital Finance earned $2 billion in net income, was down 33% in line with our pre-announcement of saying we're going to earn about $2 billion.

Assets of $622 billion, they're up 12% from a year ago however, they're down about 1% from Q2 to Q3. We are seeing an impact as we've tightened our origination and really focused on where we're allocating capital based on returns. Risk, separate results for the business as you can see on the bottom left and I'll cover the couple of businesses here.

I'll start with Money, GE Money had assets of $209 billion they were up 6% year over year however assets dropped from $221 billion in the second quarter to $209 billion in the third quarter down 5% driven by the volume declines from higher pricing and other underwriting changes that we've been making.

Net income of $790 million was down 16%. Basically the Americas down 28% from higher loss provisions, I'll definitely cover more detail on that. Europe was down 22% driven by lower redemption income in the UK. Asia was up 1%. I'll cover details on delinquencies on both Commercial and Consumer in a few pages.

Real Estate is the next business, ended the quarter with assets of $89 billion which are up 23% over last year that's driven by the investments we've been making in senior secured debt at high returns. I'll show you the numbers on that sequentially if you look Real Estate is down $2 billion in assets from the second quarter. Again we've capped off our Real Estate business just based on size today and we're continuing to downsize the portfolio and we will continue to do that through 2009.

Net income of $244 million was down 62%. Basically we realized lower gains on sales of properties from a year ago. We still sold in the quarter $2.6 million of assets and the portfolio quality remains very strong. We have 0.19% of

receivables on earnings so basically hardly any properties not in earnings status. Our 30 delinquencies are only 0.6% of average net investments flat with last years. The portfolio is very strong.

Through the third quarter with the earnings in the third quarter our Real Estate business has earned $1.2 billion in net income and based on our revised guidance that we gave on the 25th we'd expect the total year to be around $1.3 to $1.5 billion net depending on how the property market goes in the fourth quarter.

Next is Commercial Lending and Leasing, the earnings of $394 million were down 56%. This business was significantly impacted by the recent upheaval in the financial markets over $400 million of the negative marks we had in the quarter were marks and impairment were in this business and I'm going to cover the details of that on the next page.

Finally the verticals, if you look, the verticals delivered solid results. GECAS was up 4%. Again here's another portfolio, the quality remains very strong, and 30 day delinquencies are 0.13% of financial receivables. We have three aircraft on the ground at the end of the quarter; they're all new narrow bodies which we expect to be putting it back out on lease very soon. Energy Financial Services had another strong quarter as we continue to see very strong demand for energy generation and distribution assets so a pretty good story there.

In the next few pages there's been a lot of discussion about G Capital and in the next few pages I want to basically cover four topics. First, we missed our original estimates in Financial Services by $0.07 and I want to take you through the details of what happened versus our original financial projections. Second, we are still in business, we continue to originate at high margins and we expect pricing to remain robust so I'm going to show you what are we originating and what the margins look like.

Third, we've taken proactive actions and we have dramatically improved our liquidity situation, I'm going to show you where we stand on liquidity. Fourth, our portfolio remains robust. We've got a great portfolio. We've stuck to our risk management but we are going to see a credit cycle here. We're going to see higher delinquencies, we're already seeing those. As we have higher delinquencies we're going to put up more loss provisions. What I want to take you through is how do we see the portfolio quality and what do we see as the potential future loss impact as we go forward so I'll take you through these four sections.

First is the third quarter results versus the second quarter guidance, we all have been living this environment but the third quarter had extraordinary financial volatility by any measure. We had Fannie Mae, Freddie Mac, Lehman Brothers, WaMu, AIG, and we were impacted by that volatility. We had $533 million of negative marks and impairments in the quarter.

If you look at the right side I've broken those out by a couple categories. The first category is Investment Impairments; we have $43 billion of assets and investment securities mostly from our insurance run off business and also our guaranteed investment contracts. We've listed the largest items that impacted us here including the WaMu bonds; those were impaired the Thursday night after our pre-announcement. The volatility did not stop the day we did a pre-announcement it's continued.

We also reached an agreement with FGIC to restructure our preferred investment resulting in a $97 million after tax loss and if you remember we already wrote off our common stock. We had quite a few marks in the Investment Impairment category.

The second category is Mark-to-market of our publicly traded equities. The main write down there came from our equity stake in Genpact which was down a lot in the quarter; $154 million of the $173 million was just that one investment alone. Finally, we also impaired some assets in GECAS, we do an impairment review annually and if there were ever a big change in cash flows you'd have to do it in the quarter it occurred. That's a relatively small amount for that portfolio, its a little bit better actually than the impairments last year.

The last category we had some derivative marks that went through the P&L basically ineffectiveness and other stand alone hedges that get marked through the P&L every quarter.

Our third quarter earnings, if you look on the left side the other two things that hit was we had higher losses in GE Money, this is principally in the Americas. Our original forecast that we laid out for the Americas as $600 to $800 million of additional loss provisions in the business. We added $250 million of provisions in the quarter in total that's about $100 million over the original plan and our revised guidance today would say we're thinking about $800 million to $1 billion of provisions this year for the losses in the Americas based on delinquencies and where we are.

Finally, we had lower assets sales, principally Real Estate but in total GECAS was off $0.07 from our original Q2 expectations and it's driven by these three factors. Even with that our third quarter earnings were in line with what we said on the pre-announcement. We are $2 billion net in capital and that's a pretty good performance in this tough environment.

Let me go to the second point which is we're in business, what are we originating and how are the margins. This page covers the Commercial Finance originations that we're doing in the third quarter. Overall in Commercial Finance we originated $21 billion of volume and you can see the majority of that volume is split on the left side between the top which is Capital Solutions leasing and financing spreads so this is our mid-market business.

We did $6 million of origination in the third quarter. The spreads are up 56% so this is a gross price that customers are paying us less our cost of funds on a match funded basis margin are up 56 basis points in the quarter and you can see they've continued to climb through the year.

The second piece is Corporate and Real Estate debt. We've done $10 billion of debt in the third quarter at 27% ROEs. We continue to see very strong low loan to value opportunities with high returns on equity and we're investing money there. Our originators are out there and we are in business. We are trading volume for price in every business. The Real Estate debt originations of $4 billion that was a 25 ROE, we basically shut off the equity originations expect for where we have previous commitments.

Capital Solutions the volumes down 25% and we are getting price and fees everywhere so there are places where we're not underwriting. If we don't have the returns we're not putting the capital there but there is still an awful lot of business being done. We're going to continue to be opportunistic on originations. We think the attractive pricing is obviously going to continue for the foreseeable future here.

The fourth quarter outlook is pretty similar in terms of what we're going to originate. We're still in business funding a lot of high return stuff over $20 billion in Commercial Finance alone in the quarter and the fourth quarter looks to be about the same.

Third point that I want to cover about Capitals Liquidity, Jeff talked about it, I mentioned it, and the numbers are on the left side. We ended the third quarter with $88 billion of Commercial paper. Our commitment was to bring CP under $90 billion in the third quarter and down to $80 billion by the end of the year and we're going to do that.

In the middle, the left side is the long term debt maturities through the fourth quarter '09. Over the next 15 months we have $81 billion of long term debt maturities and you can see the timing. We've already said that we don't need to do any long term debt in the fourth quarter. I'll talk about the future going forward but you can see the good news is these are spread out and they're pretty level loaded and they're actually back end loaded into the second half of '09.

The third category is other sources of funding. We've got $43 billion of Retail funding today and we're going to be able to continue to grow that. If you look at the right side there are some themes about how we've been thinking about liquidity in the last few months. It starts with Triple A, this is an advantage for us we know it, it's been confirmed by the rating agencies and from the Board of Directors through the leadership team and to every employee we're committed to run the company as a Triple A and it's certainly serving us well.

The second thing is debt markets have been volatile but we are still funding ourselves without any issues. If you look at CP in fourth quarter '07 the average cost of our Commercial paper program where we had higher balances was about 5%. In the third quarter '08 the average cost was 2.5% and that's the same average cost for the last couple of weeks. It's been a challenging global market but we have been able to fund ourselves and the funding costs have actually come down versus what we were dealing with a year ago. I think that's a positive.

We do have more protection today if the CP market remains under stress, Jeff talked about it. We had a liquidity plan that said we were going to get our bank lines plus our cash equal to our CP by the end of the year. After our earnings call last week, the pre-announcement we said that may not be fast enough and we went right to work on well how do you accelerate that and that's why we did the equity offering and we've accelerated. Today our bank lines plus our committed cash are greater than our CP and that's a great place to be.

We also had the Retail sources to grow funding. I mentioned the number but we've grown our deposits $20 billion since the beginning of the year and we can do more. In our banks we have two banks that we use in the US that are funded in both Commercial and Consumer assets with deposits. On long term debt we can proactively manage the long term debt maturities by working our origination and collections equation.

As you know we've already said we don't need to do any of the long term debt redemptions in the fourth quarter so we've got $15 billion of long term debt that matures that's by being very disciplined on origination versus collections. Obviously if we ended up in a situation where you had to do less long term debt in 2009 we could continue to work that originations versus collections equation.

Finally, I think a significant point on Tuesday this week the Fed announced the CP funding facility for highly rated CP issuers. Under this facility the details are still being worked out but clearly GE and GE Capital could issue if necessary CP to the facility in amounts up to our outstanding August 2008 which is over $60 billion for GE Capital Corp and over $10 billion for GE. This is again another step that the Fed has taken. We're very supportive of it, we think its positive and our team is working with the Fed to make sure all the mechanics are in place to help support the confidence of our investors.

We've got a very strong position here. If you step back and look at the actions we've taken over the last three weeks we have proactively and dramatically improved our liquidity situation in one of the most challenging markets ever seen. We feel great about where we are today.

Fourth topic is the quality of the portfolio. The question everyone wants to know is what's the potential for future loss impact and I'm going to walk you through pieces. I'm going to start with the portfolio. At the end of the third quarter we had $413 billion of Commercial assets and $209 billion of Consumer assets. On the Commercial side we're very diversified. Our risk management policies outline delegations of authority and concentration limits for every asset class and every investment we make.

We've got very broad spread of risk, 72% of the Commercial exposures are $100 million each, and 60% are under $50 million. Our largest exposures basically if you look at the top 20 exposures they're to the airlines and railroads and a couple power plants. All of them are senior and secured and collateralized by the assets. There's no unsecured exposure in the top 20 of any size.

Our diversification and our risk management has served us well. If you look at the 10 year average loss have been 0.3% the highest over that 10 year period was 0.9%. We've got a conservative model. We do not originate to sell. We originate to hold. We don't have any SIVs, we don't have any CDOs, we've never sold CDS, and we don't have any exposure to counter parties on that from things that we write because we don't do that business.

On the right side is the Consumer, we're also very diversified. We have over $100 million accounts and we've responded early to the tougher environment we've seen. I went through the mortgage portfolio at the last call. These mortgages are not US. Our underwriting has been strong. We have an average loan to value of 75% that's updated every month based on the market. Everything that we did that was underwritten over 80% has mortgage insurance on it globally. Seventy nine percent of the portfolio is outside the US so it's very global book.

We've tightened underwriting and collections early in the cycle. Our mortgage reserves are up 20% since the end of last year. We just don't have any write offs data, it's less than $100 million of mortgage write offs because we're senior and secured. We've got mortgage insurance on the highest risk exposure positions and we've been very conservative about the amount of loan to value that we'll underwrite. It's something we're watching.

The delinquencies are up clearly and we'll work our way through it but if you remember we've been through there before in the UK we had the delinquencies up over 18% in the early 2000s and minimal losses based on our underwriting. Really happy to say we exited Japan successfully $5.4 billion of sales proceeds were realized in the third quarter. We've got a very seasoned risk team. We've got a very disciplined set of policies and risk management infrastructure. We've consistently outperformed the benchmark.

We're not immune to a deteriorating credit cycle, I'll take you through that next but we really like the starting point of the diversification and the quality of the portfolio.

How are we performing is next on the left side are the Commercial delinquencies you can see the 30 day past due amounts on receivables are up to 1.61%. That's up 26 basis points. One adjustment in here we acquired a business in Japan, Sanyo Finance Lease and just that business alone adding it to our book added a 10 basis points to the overall delinquencies. Really on a comparable basis we're up only 16 basis points versus last year.

We have seen some softness in our mid-market European lending and leasing business about six basis points of the delinquencies from that. We have seen some softness in business properties as there's lot of small properties under $3 million generally the loan size. People are just conserving cash so we've seen some increase in delinquencies here in

the US.

Our non-earnings are up 21 basis points versus the second quarter up. There are two specific transactions in the verticals both are senior and secured. One is SemGroup went into a bankruptcy and we're very well collateralized there and the other we have some planes that we got back where we have senior debt and we're cross collateralized on three more planes that they're going to get back that more than secure our position. On the $309 million we don't think we have any loss exposure.

Cap Solutions is up a bit again that's a lot of small accounts that are delinquent and we're just going to have to manage through collections and make sure we're managing our collateral and as I said the Real Estate books in really good shape. The portfolio in the Commercial side continues to be in excellent shape but we're seeing some early signs of pressure and we'll be all over it.

On the right side are the Consumer delinquencies we have seen these rise. Obviously they're up 128 basis points versus a year ago. You look it's up a bit versus the second quarter so we're seeing sequential increases as well. It's driven by two basic things, one is the UK mortgage book the delinquencies are up to 17.8% that's up a point over the second quarter 16.8% so that's a big driver of delinquency. Again, we don't have losses in that book because of our position but delinquencies are up.

The second thing is North America, our North American receivables the delinquencies on 30 days are up to 6.2% up from 5.6% in the second quarter and that contributes 34 basis points to the total year over year. While we have these rising delinquencies we're also putting up more loss provisions. The loss provisions are up 34% in the quarter year over year. North America, as I said, we put up $249, $250 million up $560 million year to date and to the total year estimates is up $800 million to $1 billion included in our guidance.

The loss provisions are growing faster across the globe than our write offs for the fourth consecutive quarter here. This is going to continue. We do see more pressure on the consumer book. We're adding to the provision in line with the delinquency and loss experience we have and we expect this to continue. If you look in the third quarter alone we had pre-tax losses of $451 million higher than the year over year but we had higher reserves by $762 million so we're putting up more provisions than the losses we're experiencing and we're ready for the future here.

If you look at the third quarter year to date loss provisions they're up $1.3 billion and that's going to continue as we go into the fourth quarter next year.

I've given you the portfolio mix, I showed you where we are in credit performance and how do you think about the losses going forward. This chart shows our GE Capital loss percent to average net investment back to 1991. If you look on the left side of the chart the 20 year peak was the '90-'91 recession we ended up with credit losses of 2% and you can see the split between GE Money and Commercial what those losses rose to.

In the middle I've written down some facts about 2008. Today we're estimating that we're going to end the year at 1.2%. We were below 1% through the second quarter and we've got a big increase in the third quarter and a big increase in the fourth quarter that will get to about 1.2% and you can see it's driven by GE Money. We continue to see very strong performance in Commercial but we're increasing our provisions there.

That guidance for the year for 2008 would include up to $6.6 billion of pre-tax provision losses so this is a big number and it will be a big increase over last year. The 2009 framework that we talked about we gave you a range of down 10 to down 30 for GE Capital as a way to think about next year basically within that range that would enable us to have $7.5 to $9 billion of pre-tax losses off the $6.6 billion this year.

So $6.6 billion this year will be a big increase several billion dollars over last year and next year could be $7.5 to $9 billion and that would bring our total credit losses somewhere between 1.4% to 1.7% which would be very close to the peak and I think that's important because when you look down on the left what's different about the portfolio from '90-'91 to day is dramatic.

In '90-'91 we had very limited geographic diversity we were very US focused. We had $8 billion of LBO exposure with $200 million average exposure to each of them. We had 28% consumer exposure was secured. We were a very large mortgage and bond insurer. We were concentrated in our Real Estate portfolio. We were very heavy 25% of our Real Estate portfolio at the time was in New York City. We had very high loan to values with an average loan of $100 million and we're big in single family residential and development lending.

In 1991 25% of the losses we experienced in that 2% were from the LBOs and we don't have anything near any position anywhere near like that today which is a great place to be. Today the portfolio is different. We've got a big global mix, 69% of the exposures are under $100 million as I said we're 58% of the consumer business is secured. You have a real mix issue while the assets have grown dramatically that secured book has a dramatically different loss profile.

We've exited all the insurance businesses which have helped tremendously. The diversified Real Estate portfolio is much better, 50% global and 70% average loan to value with a $12 million average loan size. This is just a dramatically better portfolio but it's not immune. We're going to see more pressure and I think we're going to have higher losses and we're planning for them. If you look at that framework it's substantially takes into account very challenging economic scenario on the high end of the loss range and better than that scenario on the low end.

We don't know that the economy is going be as we go forward to 2009 exactly but I think the guidance range that we've given and the loss estimates that we are prepared for substantially protect you in terms of how you think about GE Capital Risk going forward.

The last page I have is to switch gears and look at the fourth quarter outlook. Guidance by the segments are on the left side. Energy Infrastructure remains strong. We're guiding about 15% up I think the issues is you've got to think that we're going to have tougher comparisons. Energy was up 38% last year in the fourth quarter these are great earnings levels that this business is at. We're going to continue to ship a lot of equipment but the comparisons get a little tougher.

Technology Infrastructure up 5% to 10% driven by strength in Aviation and Transportation. We're forecasting Healthcare to continue to be challenging. NBC Universal up 0% to 5%. We're cautious on the outlook here I think you've got to look what the local stations are doing, we'll have to see what the national advertising does. Great strength in cable and we've got a pretty good performance in film outlined. Capital Finance continuation basically of the third quarter run rates put you in that range. Finally, C&I remains challenged.

On the right side is the total no change from the September 25th earnings guidance expect for on EPS you have to account for the dilution from the additional equity offering. We're on track for the revised 9/25 guidance adjusted for dilution and let me turn it back to Jeff.

Jeff Immelt

On the next page I just wanted to spend a little bit of time just thinking about the future. Really just zeroing in on infrastructure and how you might think about it just given all the volatility that's going on the world today. Infrastructure is about 50% of GE's earnings in 2008. The service portion of the Infrastructure earnings is about 70% of that total. We have lots of high margin service businesses that really drives how we think about this business.

I would say left to its own it's poised for substantial future growth just based on the backlog because the products drive energy efficiency, we've got high tech products and we've got great global demographics if you will. You've got to include the risk of things that are going on in the world today. Clearly on the equipment side that might be financing or pressure on demand. On the services side we've seen a little bit of it in Aviation with planes being parked, driving usage and retirements.

We try to think and do our planning based on the fact that there's more risk just given what's going on in the broad environment. What I would point out is we've got a good leadership team that's thinking a lot about the volatility of the marketplace and we really have working today I'd say four or five major mitigants that we're working real time.

The first one is we have big backlogs and then those backlogs are contract protections but we have several products that are in oversold positions which give us I think some buffer for volatility. The second one is just services itself. Services is a fundamental and core to most of our customers. It is more resilient in economic volatility and it's very high margin. We like the positioning there.

The third thing I would point out is that unlike previous cycles we have a very broad global diversity and that's not just in specific countries it's in every country. We're well positioned in Eastern Europe and the Middle East and Brazil and China and India. We've got great diversity and lot of our backlog is just in areas that have great sovereign support where the country needs the power, the country needs the water, great government backstop there.

The fourth think I'd point out is that we've experienced over the last four or five years dramatic inflation in raw materials. We buy either directly or through our suppliers somewhere between $15 to $20 billion of raw materials they are driven by steel, nickel, aluminum, things like that. We expect to see some opportunities there as the pricing softens that can

help us bugger our margins. Actually our customers like these products because they drive energy efficiency because they drive environmental protection and so we're just thinking through trying to plan for any eventuality.

We see the risks but we're also trying to plan mitigants that I think are going to allow us to outperform in any environment that we see going forward in the future.

To summarize, the environment is volatile but GE is executing. We delivered on our third quarter '08 continuing earnings commitment of $4.5 billion or $0.45 a share. We're confirming the total outlook including dilution of $1.92 to $2.07 a share. The company is poised to earn about $20 billion in 2008. We've done a lot of work to protect our Financial Service franchise that Keith went through which we'll still earn in excess of $9 billion in 2008 I think which will look good compared to our peers.

We're going to return $13.5 billion to investors in 2009 through dividends. We really believe that the dividend is safe and we're making great plans to protect that.

We built strong infrastructure and media franchises which wet think our positioned to outperform through this cycle. We're running GE in a very disciplined way. I think we're well prepared for the environment we're in.

Trevor with that I'll turn it back to you for questions.

Trevor Schauenberg

Let's turn it over to questions from our audience.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Bob Cornell – Barclays Capital.

Bob Cornell – Barclays Capital

You went through the outlook for the Finance business for next year but the guidance is down 10% to 30% maybe you could give us a little more color around that and maybe focus as well on what tax rate is embedded in that number.

Keith Sherin

We haven't changed anything that we said back on the 25th. We're saying that we think we're going to have an environment here where we're going to be very disciplined on origination. We're going to be shrinking the book a little bit and remixing from some of the higher leverage products to lower leverage products so you're going to see some impact of that. We're going to get a benefit from the new volume that we're putting on with higher pricing. We're going to get a benefit from lower costs.

We're going to be under pressure from higher loss reserves which I think I've outlined pretty, in a detailed way for at least as good a forecast as we can give today. We probably still have lower gains. We're not counting on any gains in the Real Estate business in 2009 and those are basically the four or five factors that we're going to have to think about; losses, impairments year over year, less gains, higher margins from the new originations, lower costs, and what kind of volume are we going to see in total.

I think those are the factors that we're dealing with. I think if you have a really tough economy you're going to be at the low end of that range. If the economy is not as bad as what everyone is predicting today I think you get for the better side of that range. I really don't think we're going to see the maximum level of losses that we've outlined here but our view is that there's a concern about it and the guidance framework that we've given you we ought to be taking that into account and making sure that people understand that we can handle a significant increase in provisions based on a tougher environment and that's in our range.

Bob Cornell – Barclays Capital

I was there in '91 and you guys grew the income in the period despite the real estate and the LBO. Getting back to the tax issue, you had the revision of the tax rate for the year maybe just go into what drove that then again what's the thought on the capital tax rate for '09?

Keith Sherin

As we close the third quarter and you look at the fourth quarter we had to lower the GECS income forecast. That's had a dramatic impact, a lot of that income that we lowered was high taxed income like from the US and when you drop that high tax income you drop your tax rate. The rate was negative in the quarter because we have to adjust the first half rates so that they reflect the new estimate for the total year. The second quarter year to date GECS rate was 3% a positive slight rate and now we've got to get to a negative rate of 4% for the total year because of all those loss of high tax income.

You end up with a catch up kind of in the quarter that results in a 30% negative tax rate for GECS. I think another way to think of that is that basically GE pays GECS for the tax losses it generates in the US. While GECS earns income in lower tax jurisdictions they have less high tax income in the US and those tax losses benefit GE in total as a system and that's why GECS is getting basically a tax benefit in the quarter is because they have losses that GE is able to use and that creates earnings in GECS and it offsets the tax liability in GE.

It's one of the benefits of having the whole portfolio together. For 2009 we didn't give in 2008 separate tax rates for GE and GECS I think you could look at 2009 in a varied low tax rate for GECS in the low single digits at best and a consolidated tax rate for GE in total of 15% is kind of what we're forecasting today. I don't have a breakout between GE and GECS but I don't anticipate the GECS rate going high.

One other thing you may have seen I the recent Congressional activity was that the active financing exception was extended for another year. That will bring that out effectively through 2009 and then you wouldn't see an impact if that were to go away until after 2011 for us. That was one other item that came out in the last couple weeks that was positive.

Bob Cornell – Barclays Capital

What did you say about the fourth quarter capital tax rate?

Keith Sherin

The fourth quarter capital tax rate would be in line with our total year estimate today which would be around a negative 4%. You have to book to the estimate you have for the whole year and that's where we would be.

Operator

Your next question comes from Scott Davis - Morgan Stanley.

Scott Davis - Morgan Stanley

The one thing that's a little bit different between '91 and today is that in '91 you were able to buy distressed assets and had a fair amount of liquidity maybe a little bit more than you have today. Is there anything you can do to take advantage of this cycle and not just like the rest of us I guess be a victim to it?

Keith Sherin

Obviously we think there is. I think when you look at the originations budget that we have where we're doing over $20 billion a quarter in Commercial Finance we ought to use that in the most effective way possible. Clearly we did that earlier in the year with the Citi Capital acquisition and the Merrill Capital acquisitions those have been performing really well for us. We got great earnings out of them so far. I think you just have to prioritize out of there the capital you have and that's over $20 billion a quarter on the Commercial side and how you put that to work.

I think we do have capital, we are planning on originating, we are planning on continuing to invest in our Commercial Finance businesses and we've got to see what opportunities are available. The couple places that we've kept off would

be global mortgages on the consumer side and then commercial real estate globally we just basically have said there are still a lot of great business to be done there but we've capped off on the size and so we're going to bring that down over time.

Those would be the two main places that we're probably no continuing to originate broadly but everywhere else it's a function of having capital and allocating it to highest returns.

Jeff Immelt

Based on what I can see we're doing as much originating out there as anybody else right now I think it's just a tight market and pricing; risk is being reset, the pricing is being reset and I think we come through this either in the fourth quarter '09 or in the future with a better business model.

Scott Davis - Morgan Stanley

On the notion of pricing when you hit the mid point where your asset base you think about the $600 billion where more than half of it is priced at these very high 30% ROEs and the other half certainly priced lower. When do you reach that cross over point?

Keith Sherin

It varies by business depending upon how much new origination we put on at these rates. It's somewhere in the second half of '09, late '09 and early '10. It's a whole portfolio swing.

Scott Davis - Morgan Stanley

You didn't go into any detail on the Santander swap what's holding that up?

Jeff Immelt

You've got to get regulatory approvals in the countries and my sense is that still will likely happen in Q4.

Scott Davis - Morgan Stanley

But no indication Santander is looking to do something different?

Jeff Immelt

It still makes sense strategically.

Scott Davis - Morgan Stanley

In the financials it looks like GE Capital tangible book sell from $30 billion to $25 billion and maybe I'm calcing it wrong but none the less is there anything?

Keith Sherin

The one item in there you may see is the CTA account, the Cumulative Translation Account on foreign exchange as those dollar rates have been very volatile at the end of the quarter you may have less overseas equity translation but there hasn't been any change from any losses or the earnings growth that we had and we actually, in the third quarter, left the extra capital in by cutting the dividend to 10%.

Scott Davis - Morgan Stanley

Wouldn't the capital injection help raise that tangible book value also or does that stay at the parent?

Keith Sherin

No, the reduction of the GE capital dividend up to the parent does help the tangible. The money we raised in the equity offering is staying at the parent and is in the liquidity pool for safety. Capital down in there.

Operator

Your next question comes from Deane Dray - Goldman Sachs.

Deane Dray - Goldman Sachs

Could you discuss what you were saying today the implications of the credit market conditions on the Industrial businesses. One of the ideas here or the points you see the backlog is up very impressively 20%. That's a net number what are you seeing in terms of cancellations or push outs any color in priority by the Industrial businesses would be helpful.

Keith Sherin

If you look across the Infrastructure businesses we had a total of less than $30 million of cancellations in the quarter. I would call that normal. We haven't seen anything in the Energy business. We had less than $30 million, some of that was in Oil & Gas. We have no cancellations basically in Aviation. We've had no CSA termination. I think when you say how are you seeing the impact from credit I'd say you saw it in the Healthcare business certainly hospitals are talking about funding and whether they'll continue with some of the projects that they may have had on the drawing board or delay them based on their ability to get funding. We've seen some of that.

In the long cycle infrastructure businesses we haven't seen any yet. I think you've seen it on the Financial Services side clearly on ability for people to finance asset sales and that's very solidly, obviously in the run rate. We're cautious about it, we're watching it but I think a lot of what we have certainly in the long cycle business is in the near term backlog of projects that are already well underway and already have their financing.

A lot of them are driven by global governments and sovereigns who are going to finish these projects based on need to get more energy extraction or oil and gas distribution. In the near term you feel pretty good about that backlog. I think you've got to be cautious about it and you've got to make sure you're aware and thinking about it but we haven't seen it yet.

Deane Dray - Goldman Sachs

Specifically on the Healthcare side, how much would you say the earnings shortfall there was hospital CapEx freezes versus the ongoing deficit reduction reimbursement issues?

Keith Sherin

I think it's hard to tell. I think it's got to be some probably but I just think the market had been moving through the first half of the year was down 5% already. My hunch is it's probably in that range and that's a lot of DRA and maybe some capital.

Jeff Immelt

Some pieces of the $200 million came from people deferring projects.

Keith Sherin

I think the good news is the global demand was on par in Q3 with Q2 and I think that's really the strength of that business right now.

Deane Dray - Goldman Sachs

As you work through this period of volatility in both your businesses and the markets broadly might there be a change in the practice of giving quarterly guidance. We all know there are a number of the big multi-industry companies that just provide annual guidance. Could you foresee a scenario where GE follows that pattern provides annual guidance on a go forward basis and walk us through the way you're thinking about that today?

Keith Sherin

I think it's a great time to be having that thought process going on inside the company. Right now I think our plan is to talk to investors, see where the environment goes and talk about it more in December vis-à-vis how we look at 2009 and going forward. We're studying a lot, we're thinking about it and I think whatever we end up doing we want to make sure it's investor friendly and reflects the way the people that own the stock would like to see us talk about the company going into the future.

Operator

Your next question comes from Christopher Glynn – Oppenheimer.

Christopher Glynn - Oppenheimer

In terms of the commentary on the Triple A really talking about the commitment to keep it rather than saying you're not at all worried about it. I don't know if I'm reading too much into that but just basically I look at you continuing to originate, maintaining the shareholder dividend that would be a pretty strong commentary that you're simply not worried about it.

Keith Sherin

I'm not worried about it but I want to make sure everyone understands we're operating the company to be a Triple A. It's obviously a very high rating; it's something that a lot of companies don't have. We're committed to it and that means that we're going to take proactive steps like cutting the GECS dividend and strengthening the leverage ratios and reducing our reliance on CP. At the end of the day if we had to raise cash to rid a perceived liquidity issue we did it.

That's what I mean by it, it's not something I'm worried about. We want to make sure we run the company to be a Triple A and we're confident about that. Obviously it's something that you have to make sure you're protecting your bond holders with the actions you take and we think we've been very proactive and very consistent on doing that. When I talk about committed to running the Triple A it isn't because I'm concerned about it, it's because the philosophy of how we run the company from the Board of Directors through the leadership team on down.

Christopher Glynn - Oppenheimer

A little more on the funding, talk about the backup capacity for the Commercial Paper does the government actions really remove any prospects of having it tap the credit lines to current thinking? On the long term less than a year for next year could you talk a little bit more about how you feel around that?

Keith Sherin

When you look our liquidity plan one of the objectives we had was to get to the fourth quarter, end of the fourth quarter and have our cash plus our bank lines be greater than our CP. Obviously with the equity raise we build that cash cushion so we could say that we have that today. If you look at steps that are available to you number one we've got our great broad CP market we haven't had any trouble funding ourselves. We feel like the actions we've taken and the actions the Fed put in place actually give the CP market even more confidence about us and that we've seen that.

We continue to fund ourselves at very low rates without any issues. I think that we have the bank lines for a reason, they're there for protection. They're committed, they're Double A institutions or better there are over 70 people in that bank line. We have bilaterals and have syndicated bank line. They're there for protection. The Fed facility I think is there for protecting CP investors and our customers. I think it's a very positive and in the event that gave our customers more liquidity I think that would be available to us and would probably be certainly a priority in front ever going to the bank lines if you ever had to.

We'll have to see what happens as we go forward here. We don't plan on using any of those but if we were to do it in order I would say that that Fed facility is a great liquidity facility for our customers. I think it's a very big positive and

we're working to make sure we know how it works and have access to it and could use it if we wanted to.

Jeff Immelt

I think we thought it was smart to have suspenders on suspenders on suspenders in this cycle. I would say the first thing is Triple A, what Keith talked about and even with all this volatility we have never had issues in the CP market rolling our paper. We've got a lot of investor support so that's kind of phase one. Phase two I think was getting more cash inside the company so that we accelerated our liquidity plan and just took that off the table with cash plus bank lines being greater than CP.

I think phase three has been the work that the Fed did that really protects the whole market and so far as GE is a part of that market I think that's another great signal. I think our investors have to feel really great about those lines of defense. I think we've taken some big issues off the table for investors. That's what we really wanted to do.

Keith Sherin

I think that rolls into your long term debt point too. I think if you look at, we put a liquidity plan together and an origination plan together so we did $70 billion of long term debt this year, we had an original plan to do $80 billion. We're not going to do that last $10 billion in long term debt in the fourth quarter we're going to manage originations and collections with real tightness and as a result we're going to be able to bring the CP down to around $80 billion at the end of the year and not have to do any long term debt in the fourth quarter.

I think as you roll into 2009 you can see we've got $66 billion of maturities in 2009 and right now our plan was that we issue about $60 billion which will be a down from the last several years dramatically. There will be a shrinkage of GE paper out in the marketplace. We anticipate being able to do that. In the event that you had more stress that continues into the first quarter here around long term debt markets we would continue the management of originations versus collections that we're doing in the fourth quarter into the first quarter in the same way.

We have obviously a lot of flexibility to be able to deal with those first quarter maturities or even to lower the total maturities that we refinance next year in the long term debt markets. I think we're being very prudent about it. We're planning for really tough scenario here and if the debt markets are open we'll be more opportunistic about making sure we take advantage of some of that.

Jeff Immelt

We've got real retail strength as well as so we've got new pools of financing which we think we can grow pretty substantially.

Operator

Your next question comes from Nicole Parent - Credit Suisse.

Nicole Parent - Credit Suisse

I don't think I heard anything on OEC shipments kind of where we are relative to where we thought we'd be at this point and what the outlook is for the remainder of the year?

Keith Sherin

We are shipping out of OEC; I'll have to dig out a good number here. If I look we had $56 million of orders in the quarter so that was a good sign. We're shipping 9900s and overall we had 395 units of about $15 million in the quarter. I think the OEC guys are up and running they continue to ship, we continue to get positive orders in the marketplace and that should be better in the fourth quarter.

Nicole Parent - Credit Suisse

With respect to the infrastructure risk that you articulate I think we appreciate the color on that. As you look at the equipment orders in the quarter up 5% you did acknowledge some slippage to the fourth quarter in oil and gas. Could

you maybe give us a sense of as you look at this business how you put your arms around cancellations versus push outs?

Keith Sherin

We haven't seen any cancellations yet. I think if you look at what we're trying to do as we came to the end of the third quarter we had about six deals in the oil and gas business that they had originally put in their forecast. The average deal was about $45 million slipped into the fourth quarter. We had one order of about $150 million slipped into the fourth quarter from a national oil company and we think we're going to get that in the fourth quarter.

I think more of it was timing. We'll have to see as we go into the fourth quarter whether other orders are impacted by financing. I think it's a concern and it's something we're watching. We have not seen it yet.

Nicole Parent - Credit Suisse

On the income statement, corporate and eliminations was meaningfully lower in the quarter you did just put out the restatement, what's in there, why was it so low in the quarter and how should we think about it in the fourth quarter and the run rate for '09?

Keith Sherin

In the third quarter if you look at this year you have to go back to what we did last year. If you remember we had the big plastics gain in disc ops and we did $0.05 after tax of restructuring in continuing ops in corporate. If you look year over year we had a big charge last year in corporate and we don't have that this year. I think that's the biggest driver.

If you look this year in corporate on a run rate ex. the comparison we had about $200 million of restructuring in the quarter in corporate which is down from last year and we had about $100 million from the sale of a warranty business in corporate which was something that was a drag in the second quarter to the same amount then in the third quarter we sold it and reversed the drag from the second quarter.

Those are the biggest items. I think you ought to deal with $200 million expense going forward on a run rate.

Nicole Parent - Credit Suisse

You mean on a quarterly basis?

Keith Sherin

Yes, on a quarterly basis.

Nicole Parent - Credit Suisse

How do you think we should think about what kind of company GE is over the next three years should we think about it as a Triple A company, should we think about it as a growth company, should we think about it as an infrastructure company, maybe give us your perspective on how you would articulate the vision for the company?

Jeff Immelt

I would say I think we remain committed to being an infrastructure media and financial service company. I think as we come through this it will be more global than inside the United States probably 70% of our industrial earnings will be in services, long cycle services protected by technology. We'll continue to be a high performance execution company.

In Financial Services I think we kind of consolidate around the places where we have the most obvious competitive advantage and that is commercial finance everywhere, verticals everywhere and in emerging market consumer and commercial business. Infrastructure, media, financial services, global, high tech, very focused on services and financially strong.

Operator

Your next question comes from John Inch - Merrill Lynch.

John Inch - Merrill Lynch

The 6:1 leverage target, maybe I wasn't clear on this before, I thought the target was going to be the end of '08 but the slides say the end of '09.

Keith Sherin

It was always the end of '09 and it includes the benefits from the hybrid financing that we did over the last several years.

John Inch - Merrill Lynch

You've given us your expectation of the losses does that suggest still I think you had articulated before you thought all of capital was going to face incremental provisioning that would run through he P&L like $1 billion next year. Is that still the number; is it probably a bit higher?

Keith Sherin

That was in the middle of the range after tax. If you look at what I outlined today that's still right in the middle of the range on an after tax basis. It could be a little higher on the high end of what I gave you today and it could be a little lower at the low end.

John Inch - Merrill Lynch

Was there anything else added to disc ops in the quarter out of curiosity?

Keith Sherin

The only thing in disc ops in the quarter we did exit Japan that was the last quarter of the operating results of the Japan operations and that's what's in there I think is like $115 million so that is completed and done now.

John Inch - Merrill Lynch

From a financial standpoint it seems apparent that there's really no need to think about cutting the dividend. I'm just thinking strategically the dividend is such a high yield wouldn't it make sense in this environment to possibly look to a cut just to preserve capital even further or how should we be thinking about that do you think?

Keith Sherin

We've obviously given a lot of thought to the dividend and when you look at the changes we made these are temporary changes that we're making around GE Capital to strengthen the balance sheet, they're not permanent changes. We do believe that we will continue to have a very solid financial services business that at the end of '09 when you look in '10 we'll be able to come back to having a dividend that's higher than 10% out of GE Capital.

We've got very solid industrial businesses generating a lot of cash flow if you start with either the industrial net income of $11 to $12 billion we are getting $2 billion on average out of working capital the last several years even if you put $1 billion in for that. We have employee plans and we do have some GECS dividend that comes out the 10% you're talking about $17 or $18 billion against a $13.5 billion dividend.

We feel like in 2009 it is protected. We do not need the cash that we raise to pay the dividend in any way. It obviously is a high payout ratio but as we look into 2010, 2011 we've obviously thought through that and we think we get the payout ratio back down to the low 50% by 2011. I think this is a thing that we feel strongly about. We've obviously looked at our Industrial cash flow. We do get some cash flow out of GECS it's not zero. We feel like we're in a position to protect that dividend even in a very tough environment.

Operator

Your next question comes from Jeff Sprague – Citi Investment.

Jeff Sprague – Citi Investment

To explore a little bit more the reframing of the business model a little bit. Clearly you're enjoying some great spreads here but as you think about the reliance on wholesale funding markets going forward does that change your growth priorities in the business? Clearly you're trying to drive the CD business to drive some deposits into the equation but if feels like your cost of capital actually had got a clear upward bias certainly the equity raise was costly.

When you wrap that all together and think about the total aggregated cost of capital for the business does it cause you to reevaluate certain vertical markets within financial services that you want to play in?

Keith Sherin

The biggest thing that we've got to deal with are the global consumer assets that are very high ROE with low amounts of equity and a lot of leverage. The mortgage book is a classic example. We've got $70 billion of global mortgages on book. We like the asset category and everything but as you go forward that is not a priority for us obviously because it puts a strain on the wholesale funding model.

I think if you look as Jeff said the core of Commercial Finance is something that we can excel in, we've got a great competitive position with our distribution that's not something that other people have been able to replicate. We've got great domain knowledge with our risk management and underwriting whether it's in GECAS or energy financial services those are very strong competitive advantages for us.

Those are obviously all lower leverages in terms of relying on a wholesale financing model. I think the main place that you're going to have to back off on are the global consumer assets that have very high leverage and clearly we've got to make sure we price for risk and price for our cost of capital there's no question about and today that is not an issue. Everything has been re-priced for risk and you're getting a return above even that incremental cost of capital.

I think it's a remixing of the business in some ways back to more what the core GE Capital has been and that's the path we're on.

Jeff Immelt

Who knows how long it lasts but even with maybe potentially slightly higher cost of capital you can price for it in the market and so the bias on our returns I think will continue to go up over that time period. I don't think that will last forever but maybe it lasts for a couple years and I think that makes the business attractive.

Kevin Sherin

The other piece is clearly what we're doing around liquidity. I think in a wholesale funding model you want to change your reliance on those commercial paper markets and we're doing that. We have the Commercial paper down to about $75 billion next year with the $20 billion cash flow injects just against that. Just the Commercial paper alone will be below the bank lines by that point in time.

I think that's the other piece that you have to change as you look at this wholesale funding model. Less reliance on the high leverage products and a different framework in terms of where you're getting that money in the marketplace.

Jeff Sprague – Citi Investment

I'm trying to think if there's a strategic nuance in holding this liquidity pool at the parent. Implicitly it de-leveraged GE Capital if it was pushed down; it sits there instead as liquidity pool at the parent. Is there some particular strategic reason you are holding it at the parent level?

Keith Sherin

It gives us maximum flexibility.

Jeff Sprague – Citi Investment

Right now is probably not the best time to do anything dramatic with the portfolio I'd guess but if you were going to say spin out GE Money some day you would think it would clearly need a capital injection it would appear?

Keith Sherin

Sure, it would, clearly on a stand alone basis it would need it. We've had that conversation before I think these are very challenging markets. Ultimately long term what we do with it our intent wasn't to signal anything negative strategically it's just that is the place putting a cash pool at the corporate level allows us to execute the plan we said in GECS which we're going to do. If there are any hiccups in that we've got protection and safety. We needed it for liquidity not for capital and at the end of the day we have the most flexibility by keeping that pool at corporate.

Ultimately obviously with some strategic transaction like a spin or something creating a separation where you need more capital then you may have more flexibility for something like that as well.

Jeff Sprague – Citi Investment

It does seem like the tone has changed when oil prices were really spiraling up people were saying projects were predicated on $40 and $50 oil and now that it's coming down we're king of hearing the oh by the way its more like $80. People are getting a little more cagy about the economics of projects. Are you feeling a real reevaluation of where the CapEx might go in oil and gas looking out not even just Q4 but the next year or two?

Keith Sherin

A couple things have happened in the oil and gas markets. First of all there's been so much demand on the resource system, right, the supply chain system the EPCs are basically full. There's been cost inflation. Projects are basically the things you're doing today are out already one to two or three years so I think that that naturally would have people say what do I need to do with this next project and when do I start it.

The encouraging thing is for us if you look at all the demographics around oil the easy to get oil and gas has been gotten. The reserves are depleting, there is not a decline in demand for global fossil fuel in the economies of the world. We're going to have to explore in tougher places and we're going to have to get oil and gas from other resources like in Canada and maybe other places.

Claudi Santiago runs the business was recently at a conference early September and he talked about $68 billion of visible opportunities that he's working on with the national oil companies and with the opportunities around the world. It's not a number that we're going to get as orders but it's just an indication that there is a tremendous amount of demand out there that you've got to plan for more than the third quarter of 2009.

Jeff Immelt

One thing that helps us and helps our customers is the potential for some deflation in these raw materials. That more than anything else has been a little bit of the bottle neck particularly in oil and gas. For us if you got a 10% decrease in steel or aluminum or the other things we buy that's meaningful financially. I think some of our customers are in the same position.

Jeff Sprague – Citi Investment

As it relates to project cost you mean?

Jeff Immelt

Exactly.

Operator

Your next question comes from Steve Tusa - JP Morgan

Steve Tusa - JP Morgan

You guys still sold a decent amount of real estate, I think it was $2.6 billion and I think it was $2.8 billion last quarter. You mentioned the $500 million of GE Financing as you move more towards debt. Is there a comparable number this quarter to the $500 million?

Keith Sherin

It was less than $100 million.

Steve Tusa - JP Morgan

Of seller financing?

Keith Sherin

Yes.

Operator

Your next question comes from Nigel Coe - Deutsche Bank.

Nigel Coe - Deutsche Bank

Services is the big driver of profitability for infrastructure and service orders were up mid teens this quarter and last quarter a similar amount. Is that strength surprising you? Is it just a function of the install base increasing over the last couple years coming through and how sustainable is that rate of growth in light of CapEx pressures?

Keith Sherin

I think you're going to see double digit services here for a while. There are two main things going on. One is the install base growth, there's half of the CFM mix generation engines haven't even come in for an overhaul yet and they're out there flying. The other thing is we've had a great amount of business on upgrades. If you think about it if you can take an asset they're using out there and either get more productivity or more fuel efficiency you're going to invest in it. It's cheaper than doing a whole replacement cycle.

We've seen a tremendous business in that on everything in oil and gas to aviation and energy. I think you're going to see the install base effects coming in for more overhauls just based on usage and then you're also continue to see a lot of great upgrade business because of the economics associated with the fuel efficiency or more extraction or more distribution from having a higher capability piece of equipment there.

Those are the two things that are driving the services for us and I think you'll see double digits I don't know if you'll see them continue at these high levels but double digits for the future is what we have forecast.

Nigel Coe - Deutsche Bank

Does that mean services revenue rate of growth accelerate in terms of revenues rather than orders next year?

Keith Sherin

It should.

Nigel Coe - Deutsche Bank

On C&I you said the appropriation of spin still continues but given that the point of maximum pain seems to be about now for this business is there an odd one for keeping that in the portfolio and just work it out.

Jeff Immelt

What I would say is we don't have to do anything. We still think the strategy behind the C&I spin makes sense and we couldn't do it in this market but if markets improve we'll take a look at it. The last part is I would say the appliance business remains highly desirable by lots of people on a global basis. I think we still have lots of people that are interested vis-à-vis maybe pieces of C&I as time goes on. I think we've got lots of strategic options that we can, we don't have to do anything in a quick way I would say.

Nigel Coe - Deutsche Bank

On the tax rate, the GE Capital tax rate, it sounds like as long as interest spreads continue to narrow in the short term in North America and as loss provisions continuing rising in North America it's unlikely GE Capital tax rate will increase?

Keith Sherin

Certainly in the fourth quarter I don't see it increasing. We said we're going to have a negative 4% estimate for the year and that's what we think the fourth quarter will be right now. For next year I think we'll be in the low single digits is my only thing I could think of I don't see it being in the negative rate next year but again I don't have any of the planning done and the only forecast we're going to give on '09 for the total rate would be a consolidate rate of 15%.

Trevor Schauenberg

We're coming up on 90 minutes of discussion, great discussion today. I'd like to turn it over to Jeff Immelt for some final comments.

Jeff Immelt

Thanks everybody. Two points I want to make. First is just to recap all the proactive things we've done to I think substantially risk reduce the company from protection of Triple A. I think the equity raise that generated cash that I think accelerated the backup lines in cash being greater than CP takes that risk off the table. I think ultimately that the making Fed window available to the industry I really do think, this volatile economic time we've done a good job of protecting the company and risk reducing the company.

The second point I'd make is really the strength of the business model. We like the way that our infrastructure business sets up in this environment. Again it is, there are going to be risks as it pertains to the financing and usage but we have a lot of big mitigants to that risk in terms of our global spread, our technology, the high margin service business and just our ability to operate to get deflation to execute to generate cash.

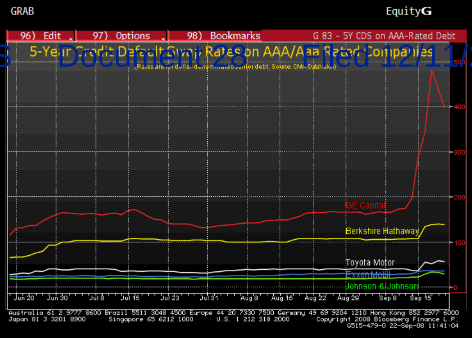
We think all those are going to be positive for investors and so we're going to go into some choppy weather. I think on the global economy but the company is set up to outperform our peers in this environment and that's how we're executing the company and that's how we're running the company today.

I know we were long today but I think it was important to go through this level of detail.

Trevor Schauenberg

Thank you again everyone for your time today. The material from our webcast will be available on our site and the replay will be available this afternoon. As always, Joanne and I will be available to take your questions today. Thank you again.

Exhibit 3


GRAB
EquityG
96) Edit
97) Options
98) Bookmarks
G 83 - 5Y CDS on AAA-Rated Debt
5-Year Credit Default Swap Rates on AAA/Aaa Rated Companies
(Rates are for dollar-denominated senior debt. Source: CMA DataVision)
500
400
300
200
100
0
GE Capital
Berkshire Hathaway
Toyota Motor
Exxon Mobil
Johnson & Johnson
Jun 20
Jun 30
Jul 8
Jul 15
Jul 23
Jul 31
Aug 8
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Aug 22
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Sep 15
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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